Indiana State Teachers' Retirement Fund

2002

Fiscal Operations Report

Indiana State Teachers' Retirement Fund

FRANK O'BANNON, Governor
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November 1, 2002

The Honorable Frank O'Bannon
Governor of the State of Indiana
Members of the Indiana General Assembly
State House
Indianapolis, IN 46204

Dear Governor O'Bannon and Members of the Indiana General Assembly:

It is our privilege to submit the 2002 Fiscal Operations Report of the Indiana State Teachers' Retirement Fund. (ISTRF) as required by I.C. 5-10.2-2-1.
This operations report consists of statistical, actuarial, investment, and benchmarking data along with several financial statements.

This year, summaries and comparison charts are included from several outside Evaluation sources. Their comments and suggestions are included as well. These studies have been of great value to the Fund, allowing us to know what we are doing particularly well and pointing to those areas where improvements may assist us in achieving even greater success.

Please take time to review the fund's stated goals and accomplishments. We are particularly proud of the great strides made toward providing the best service and fund management possible for Indiana's teachers.

Please know that the Board of Trustees, Management and staff of ISTRF will do everything in their power to merit your continued confidence and support.

Respect fully submitted,

William E. Christopher, Ph.D.
Executive Director,

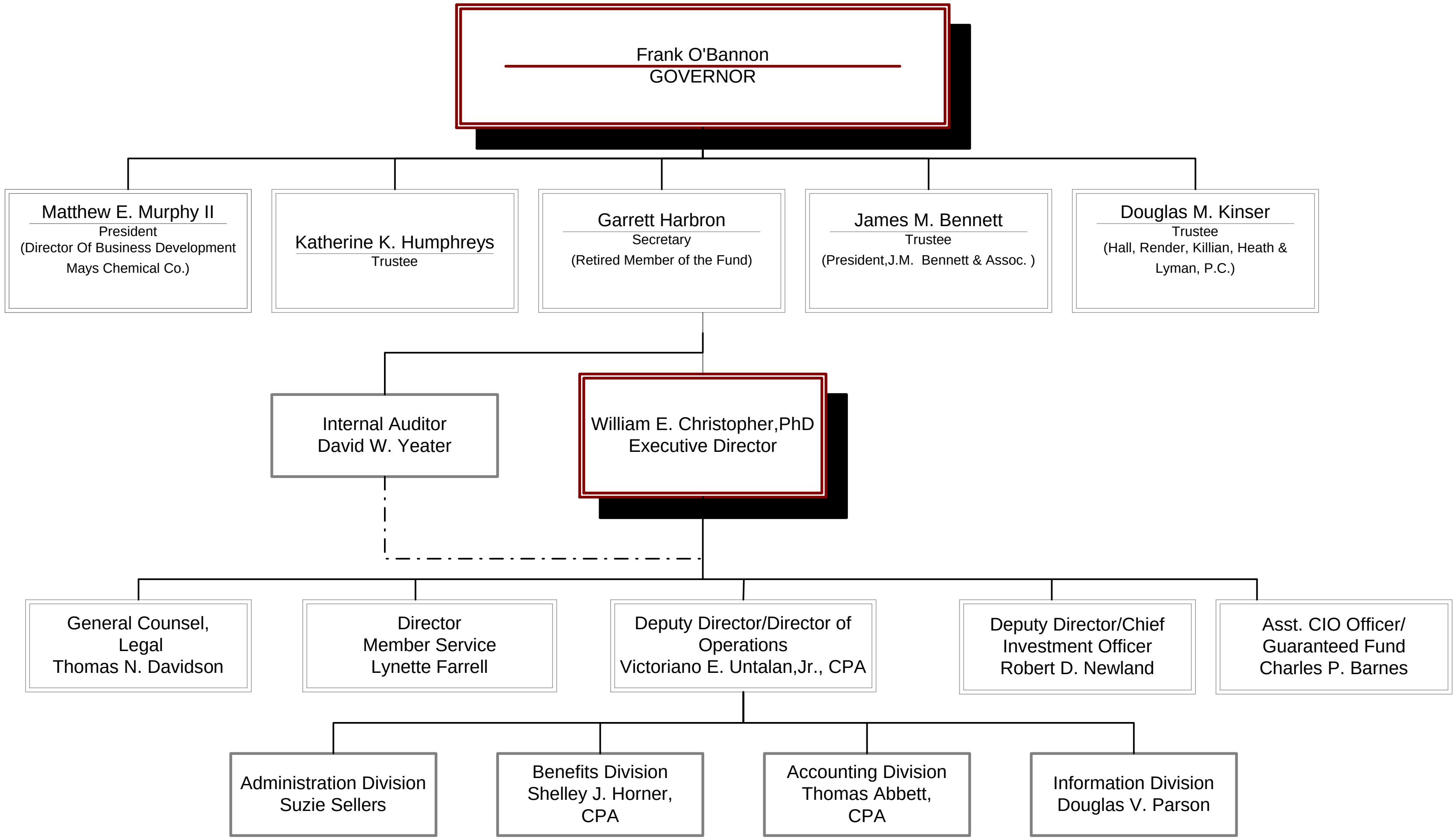
Mission Statement

The mission of the Indiana State Teachers' Retirement Fund is to prudently manage the Fund in accordance with fiduciary standards, provide quality benefits, and deliver a high level of service to its members, while demonstrating responsibility to the citizens of the State.

Core Values

The Indiana State Teachers' Retirement Fund, as an organization, holds the following core values in all of its working relationships:

- professionalism, respect, and compassion in dealing with others;
- diversity, both of ideas and people;
- open communication, collaboration, and cooperation;
- integrity and the avoidance of conflicts of interest;
- courtesy and timeliness;
- accountability;
- innovation and flexibility; and
- commitment to and focus on our mission


Frank O'Bannon
GOVERNOR
Matthew E. Murphy II
President
(Director Of Business Development
Mays Chemical Co.)
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Secretary
(Retired Member of the Fund)
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General Counsel,
Legal
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Director
Member Service
Lynette Farrell
Deputy Director/Director of
Operations
Victoriano E. Untalan,Jr., CPA
Deputy Director/Chief
Investment Officer
Robert D. Newland
Asst. CIO Officer/
Guaranteed Fund
Charles P. Barnes
Administration Division
Suzie Sellers
Benefits Division
Shelley J. Horner,
CPA
Accounting Division
Thomas Abbett,
CPA
Information Division
Douglas V. Parson

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Financial Statements

INDIANA STATE TEACHERS' RETIREMENT FUND

STATEMENT OF PLAN ASSETS

AS OF JUNE 30, 2002 AND 2001

		2002		2001
Assets				
Cash and Short-Term Investments	$	$743,438,281.86	$	331,333,426.14
Securities Lending Collateral		553,452,341.59		717,307,834.85
		1,296,890,623.45		1,048,641,260.99
Receivables				
Employer Contributions Receivable		35,481,632.22		30,187,377.21
Member Contributions Receivable		28,270,488.68		29,243,019.65
Investments Sold		166,877,929.53		90,162,532.58
Investment Income		37,308,245.99		46,266,482.14
Total Receivables		267,938,296.42		195,859,411.58
Investments, at Fair Value				
Bonds		3,022,776,332.26		3,204,879,989.85
Equity Investments		2,242,761,530.97		2,297,337,667.73
Private Equity Investments		3,709,236.99		0.00
Real Estate (at cost)		260,000.00		260,000.00
Total Investments		5,269,507,100.22		5,502,477,657.58
Furniture and Equipment, at cost, net of accumulated depreciation of $ 365,873.38 and $ 353,128.35, respectively		46,085.89		13,158.92
Prepaid Expenses		26.75		35.79
Total Assets		6,834,382,132.73		6,746,991,524.86
Liabilities				
Accounts Payable		7,632,646.59		11,038,137.90
Securities Lending Collateral		553,452,341.59		717,307,834.85
Payable for Investments Purchased		544,492,903.64		207,868,393.92
Total Liabilities		1,105,577,891.82		936,214,366.67
Net Assets held in trust for pension benefits(A schedule of funding progress of the plan is presented on page 3.)	$	5,728,804,240.91	$	5,810,777,158.19

UNAUDITED

INDIANA STATE TEACHERS' RETIREMENT FUND

STATEMENT OF CHANGES IN PLAN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2002 AND 2001

	2002	2001
Additions		
Contributions:		
Employer	$ 452,680,790.34	$ 468,982,039.66
Employer - Pension Stabilization	30,000,000.00	155,000,000.00
Employer - 96 Fund	83,545,867.69	65,237,716.77
Fund Member	105,996,375.07	103,662,291.35
Total Contributions	672,223,033.10	792,882,047.78
Investment Income		
Net Appreciation(Depreciation)	(379,687,582.19)	(219,426,522.32)
Interest	215,889,925.60	215,319,925.56
Dividends	19,924,600.11	38,876,963.73
Securities Lending Income	1,353,272.47	766,095.16
	(142,519,784.01)	35,536,462.13
Less Investment Expense:		
Investment Fees	(12,090,707.02)	(10,123,214.12)
Securities Lending Fees	0.00	0.00
Net Investment Income	(154,610,491.03)	25,413,248.01
Transfers from PERF	3,176,325.58	1,340,385.57
Adjustments to Accounts Payable	35.45	40.45
Gift from Members	0.00	0.00
Transfer of Outdated Checks	777,952.72	121,557.40
Total Additions	521,566,855.82	819,757,279.21
Deductions		
Benefits	588,378,894.11	570,057,530.59
Voluntary and Death Withdrawals	6,449,873.97	8,753,977.09
Administrative Expense	4,113,921.64	4,587,782.96
Capital Projects	1,238,838.16	2,028,555.97
Depreciation Expenses	12,745.03	9,560.96
Transfers to PERF	3,345,500.19	1,589,498.50
Total Deductions	603,539,773.10	587,026,906.07
Net Increase	(81,972,917.28)	232,730,373.14
Net assets held in trust for pension benefits		
Beginning of year	5,810,777,158.19	5,578,046,785.05
End of Year	$ 5,728,804,240.91	$ 5,810,777,158.19

UNAUDITED

ADMINISTRATIVE EXPENSES FISCAL YEAR ENDED JUNE 30,2002

CURRENT OPERATIONS	
PERSONAL SERVICES:	
TRUSTEES PER DIEMS	11,648.00
STAFF SALARIES	1,524,245.97
SOCIAL SECURITY	114,958.85
RETIREMENT	155,764.10
INSURANCE	321,096.06
PERSONNEL RECLASSIFICATION/ADDITIONAL STAFFING	0.00
TEMPORARY SERVICES	0.00
TOTAL	2,127,712.98
PROFESSIONAL & TECHNICAL SERVICES:	
ACTUARIAL:	
ACTUARIAL SERVICES	109,314.00
LEGISLATIVE PROJECTIONS	44,856.00
TOTAL	154,170.00
DATA PROCESSING(MAINTAIN OLD SYSTEM)	585,375.57
AUDIT	46,895.00
STRATEGIC PLANNING CONSULTING	0.00
BENCHMARKING	25,000.00
WEBSITE DEVELOPMENT	0.00
PENSION DEATH RECORD COMPARISON	7,685.00
MEDICAL EXAMINATIONS	135.00
LEGAL SERVICES	100,694.51
TOTAL	919,955.08
COMMUNICATION:	
PRINTING	251,826.14
TELEPHONE	89,637.55
POSTAGE:	0.00
QUARTERLY MEMBER STATEMENTS	119,405.20
PENSION CHECKS	143,983.49
"PRIMER" NEWSLETTER	44,772.84
TAX STATEMENTS(1099-R'S)	0.00
DAILY MAILINGS FROM OFFICE	26,800.04
TOTAL	334,961.57
TRAVEL	
ADMINISTRATIVE	31,136.67
INVESTMENT	15,225.24
TOTAL	46,361.91
TOTAL	722,787.17
MISCELLANEOUS:	
ADMINISTRATIVE LEGAL SERVICES	6,675.20
MEMBERSHIP & TRAINING	36,942.10
EQUIPMENT RENTAL	7,933.39
OFFICE SUPPLIES	80,681.28
MAINTENANCE	6,140.76
BONDING	1,734.04
OFFICE RENT	203,359.64
TOTAL	343,466.41
TOTAL CURRENT OPERATIONS EXPENSES	4,113,921.64

UNAUDITED

INVESTMENT EXPENSES FISCAL YEAR ENDED JUNE 30, 2002

INVESTMENT CUSTODIAL	1,168,988.31
INVESTMENT CONSULTANT	226,833.37
INVESTMENT FIDUCIARY AUDIT	231,998.09
INVESTMENT MANAGEMENT:	
BAXTER CAPITAL MANAGEMENT	59,939.84
BANK OF NEW YORK	103,866.30
BANK ONE, INDIANAPOLIS	154,129.62
ALLIANCE CAPITAL MANAGEMENT	753,230.00
REAMS ASSET MANAGEMENT	1,133,940.00
TAPLIN, CANIDA & HABACHT	103,624.24
SIEX INVESTMENT ADVISORS	57,047.81
PORTFOLIO ADVISORS	80,000.00
DRESDNER	769,432.00
BANK OF IRELAND ASSET MANAGEMENT	852,775.17
ALLIANCE CAPITAL MANAGEMENT	137,358.00
J.P. MORGAN	112,984.75
PIMCO	818,625.00
EARNEST PARTNERS LLC	127,845.00
GE ASSET MANAGEMENT	159,353.00
INSTITUTIONAL CAPITAL CORP	166,290.27
PACIFIC FINANCIAL RESEARCH, INC.	214,592.00
ENHANCED INVESTMENT TECHNOLOGIES, INC.	167,424.02
HOLT- SMITH & YATES ADVISORS	190,389.00
FOREFRONT CAPITAL ADVISORS LLC	87,202.60
DRESDNER RCM GLOBAL ADVISORS	179,461.00
BARCLAYS	88,523.40
RHUMBLINE ADVISORS	74,043.23
PUTNAM	344,998.61
FRANKLIN	171,965.61
VALENZUELA CAPITAL PARTNERS	319,661.00
AELTUS	734,869.00
TCW	623,444.20
ARIEL CAPITAL MANAGEMENT	729,606.21
BRANDYWINE ASSET MANAGEMENT, INC.	808,571.91
TOTAL MONEY MANAGEMENT FEES	10,325,192.79
TOTAL INVESTMENT SERVICES	11,953,012.56
INVESTMENT MANAGEMENT SOFTWARE	0
ADMINISTRATIVE INVESTMENT EXPENSES	137,694.46
TOTAL	12,090,707.02

UNAUDITED

Capital Projects

	TRF SHARED COST						PERF/TRF	
	FISCAL YEAR 2002		LIFE TO DATE		TOTAL PROJECT		**TOTAL PROJECT COST**	
NEW RETIREMENT INFORMATION SYSTEM								
SYSTEM DESIGN AND DEVELOPMENT	$	1,101,751.24	$	3,914,848.43	$	7,584,699.20	$ 19,075,508.00	[a]
PROJECT QUALITY ASSURANCE	$	-	$	593,742.50	$	593,742.50	$ 869,673.00	[b]
PROJECT MANAGER	$	-	$	611,470.00	$	611,470.00	$ 1,343,881.37	[c]
TOTAL	$	1,101,751.24	$	5,120,060.93	$	8,789,911.70	$ 21,289,062.37	
RENOVATE OFFICE SPACE								
CONTRUCTION AND MATERIALS	$	137,086.92	$	298,579.67				
TOTAL CAPITAL PROJECTS	$	1,238,838.16	$	5,418,640.60				

[a] New Retirement Information System combined project of PERF/TRF
The total cost of $13.6M includes the services, software/hardware and license fees. Additional costs to the contract are as follows: Statutory Compliance $2.36M, Legislative Changes $.60M and System Modifications/Enhancements/Etc. $2.49M
PERF and TRF have agreed to share the cost 60/40, respectively.
The combined project started in July, 1999 and the full system implementation was in April of 2002. However we are continuing to run our legacy system parallel to the system as programming issues are fixed.
The vendor for this project is Covansys.

[b] The consultant participated in the search/selection/negotiation of the system vendor and eventually as the project quality assurance consultant. Since TRF was the principal party of the contract , TRF was responsible for the payment of the services. The new contract , effective October, 2000 has PERF as the principal party of the contract.
The Project Quality Assurance Consultant is GovConnect.

[c] The consultant participated in the search/selection/negotiation of the system vendor and eventually as the overall project manager consultant. Since TRF was the principal party of the contract, TRF was responsible for the payment of services. The new contract, effective October, 2000 has PERF as the principal party of the contract.
The Project Manager is L.R. Wechsler.

-Unaudited-

SCHEDULE OF FUNDING PROGRESS

(Dollar amounts in millions)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
6/30/77	$346	$2,145	$1,799	16.13%	$892	201.68%
6/30/79	417	2,582	2,165	16.15%	1,025	211.22%
6/30/81	484	2,957	2,473	16.37%	1,195	206.95%
6/30/83	747	3,338	2,591	22.38%	1,350	191.93%
6/30/85	1,091	4,023	2,932	27.12%	1,520	192.89%
6/30/87	1,409	4,837	3,428	29.13%	1,752	195.66%
6/30/89	1,737	6,205	4,468	27.99%	2,045	218.48%
6/30/91	2,190	7,182	4,992	30.49%	2,279	219.04%
6/30/92	2,496	7,949	5,453	31.40%	2,416	225.70%
6/30/93	2,812	8,508	5,696	33.05%	2,536	224.61%
6/30/94	2,768	9,087	6,319	30.46%	2,615	241.64%
6/30/95	3,103	9,675	6,572	32.07%	2,729	240.82%
6/30/96	3,263	10,331	7,068	31.58%	2,879	245.50%
6/30/97	3,750	11,044	7,294	33.96%	2,985	244.39%
6/30/1998	4,266	11,779	7,513	36.22%	3,095	242.75%
6/30/1999	4,971	12,671	7,700	39.23%	3,294	233.76%
6/30/2000	5,578	13,115	7,537	42.53%	3,283	229.58%
6/30/2001	5,810	13,524	7,714	42.96%	3,318	232.49%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

(DOLLARS IN THOUSANDS)

YEAR ENDED JUNE 30	ANNUAL REQUIRED CONTRIBUTIONS (a)	CONTRIBUTED BY EMPLOYERS (b)	CONTRIBUTED BY THE STATE (c)	PERCENTAGE CONTRIBUTED ((b + c) /a)
1981	$181,640	$2,858	$107,588	60.80%
1983	181,575	2,503	93,207	52.71%
1985	214,776	5,910	174,399	83.95%
1987	236,695	6,810	129,907	57.76%
1989	319,429	7,804	154,627	50.85%
1991	357,575	8,539	232,861	67.51%
1992	394,291	9,377	197,250	52.40%
1993	413,622	9,180	194,900	49.34%
1994	433,044	11,013	219,782	53.30%
1995	456,835	10,977	228,200	52.36%
1996	488,278	15,907	297,451	64.18%
1997	508,939	28,761	508,867	105.64%
1998	508,260	41,098	424,252	91.56%
1999	524,815	56,650	555,700	116.68%
2000	547,532	70,641	576,800	118.25%
2001	537,789	83,285	605,900	128.15%
2002	572,226	100,824	465,400	98.95%

PENSION STABILIZATION FUND

DATE	TRANSACTION DESCRIPTION	CONTRIBUTIONS	INTEREST EARNED	BALANCE
1995				
JULY 1	ESTABLISHMENT OF ACCOUNT			$439,700,498.50
1996				
JUNE 30	CONTRIBUTIONS FROM STATE	$25,000,000.00		$464,700,498.50
JUNE 30	CONTRIBUTIONS FROM LOTTERY	$30,000,000.00		$494,700,498.50
JUNE 30	CONTRIBUTIONS FROM STATE	$92,851.68		$494,793,350.18
JUNE 30	INTEREST CREDITED		$39,573,044.87	$534,366,395.05
1997				
JUNE 30	CONTRIBUTIONS FROM STATE	$24,999,998.97		$559,366,394.02
JUNE 30	CONTRIBUTIONS FROM STATE	$200,000,000.00		$759,366,394.02
JUNE 30	CONTRIBUTIONS FROM STATE	$93,567.95		$759,459,961.97
JUNE 30	CONTRIBUTIONS FROM LOTTERY	$30,000,000.00		$789,459,961.97
JUNE 30	INTEREST CREDITED		$45,421,143.58	$834,881,105.55
1998				
JUNE 30	CONTRIBUTIONS FROM STATE	$75,000,000.00		$909,881,105.55
JUNE 30	CONTRIBUTIONS FROM STATE	$78,286.28		$909,959,391.83
JUNE 30	CONTRIBUTIONS FROM LOTTERY	$30,000,000.00		$939,959,391.83
JUNE 30	INTEREST CREDITED		$66,790,488.44	$1,006,749,880.27
1999				
JUNE 30	CONTRIBUTIONS FROM STATE	$75,000,000.00		$1,081,749,880.27
JUNE 30	CONTRIBUTIONS FROM STATE	$75,639.23		$1,081,825,519.50
JUNE 30	CONTRIBUTIONS FROM LOTTERY	$30,000,000.00		$1,111,825,519.50
JUNE 30	INTEREST CREDITED		$80,539,990.42	$1,192,365,509.92
JUNE 30	DISTRIBUTION FROM UNDISTRIBUTED INVESTMENT INCOME(P.L.		$148,512,367.47	$1,340,877,877.39
2000				
JUNE 30	CONTRIBUTIONS FROM STATE	$125,000,000.00		$1,465,877,877.39
JUNE 30	CONTRIBUTIONS FROM LOTTERY	$37,500,000.00		$1,503,377,877.39
JUNE 30	CONTRIBUTIONS FROM STATE	$38,810.02		$1,503,416,687.41
JUNE 30	FUNDS FROM PENSION PAYOUTS	$15,506,789.63		$1,518,923,477.04
JUNE 30	INTEREST/EARNINGS CREDITED		$117,863,098.59	$1,636,786,575.63
JUNE 30	DISTRIBUTION FROM UNDISTRIBUTED INVESTMENT INCOME		$35,860,604.81	$1,672,647,180.44
2001				
JUNE 30	CONTRIBUTIONS FROM STATE	$125,000,000.00		$1,797,647,180.44
JUNE 30	CONTRIBUTIONS FROM LOTTERY	$30,000,000.00		$1,827,647,180.44
JUNE 30	CONTRIBUTIONS FROM STATE	$45,735.83		$1,827,692,916.27
JUNE 30	FUNDS FROM PENSION PAYOUTS	$19,650,613.19		$1,847,343,529.46
JUNE 30	INTEREST/EARNINGS CREDITED		($14,302,550.56)	$1,833,040,978.90
2002				
JUNE 30	CONTRIBUTIONS FROM LOTTERY	$30,000,000.00		$1,863,040,978.90
JUNE 30	CONTRIBUTIONS FROM STATE	$43,876.37		$1,863,084,855.27
JUNE 30	FUNDS FROM PENSION PAYOUTS	$13,798,154.19		$1,876,883,009.46
JUNE 30	INTEREST/EARNINGS CREDITED		($90,065,130.79)	$1,786,817,878.67

SCHEDULE OF ALLOTMENTS RECEIVED AND ACTUAL PAYOUTS

FISCAL YEAR 2002

STATE PENSION(100-745)			
MONTH*	ACTUAL PAYOUT	ALLOTMENTS RECEIVED	OVERPAYMENT (SHORTAGE)
JULY	$30,266,880	$32,091,667	$1,824,786
AUGUST	$31,181,011	$32,091,667	$910,656
SEPT.	$31,369,420	$32,091,667	$722,246
OCT.	$31,415,117	$32,091,667	$676,550
NOV.	$30,770,560	$32,091,667	$1,321,106
DEC.	$31,008,993	$32,091,667	$1,082,674
JAN.	$31,057,823	$32,091,667	$1,033,843
FEB.	$30,795,308	$32,091,667	$1,296,359
MARCH	$30,811,517	$32,091,667	$1,280,150
APRIL	$30,691,373	$32,091,667	$1,400,294
MAY	$30,632,190	$32,091,667	$1,459,477
JUNE	$31,301,654	$32,091,667	$790,013
	$371,301,845.81	$385,100,000.00	$13,798,154.19

* MONTH IS FOR THE MONTH BENEFITS ARE PAYABLE FOR, NOT THE MONTH THEY ARE PAID IN (e.I. MONTH OF JULY IS PAID ON AUGUST 1ST.)

COLA'S (100-743)			
MONTH*	ACTUAL PAYOUT	ALLOTMENTS RECEIVED	OVERPAYMENT (SHORTAGE)
2001-02			
JULY	$3,185,182	$4,191,667	$1,006,485
AUGUST	$3,161,604	$4,191,667	$1,030,063
SEPT.	$3,133,864	$4,191,667	$1,057,803
OCT.	$3,106,635	$4,191,667	$1,085,031
NOV.	$3,080,991	$4,191,667	$1,110,676
DEC.	$3,058,219	$4,191,667	$1,133,447
JAN.	$3,022,574	$4,191,667	$1,169,093
FEB.	$2,997,310	$4,191,667	$1,194,357
MARCH	$2,975,736	$4,191,667	$1,215,931
APRIL	$2,948,249	$4,191,667	$1,243,418
MAY	$2,917,576	$4,191,667	$1,274,090
JUNE	$2,899,943	$4,191,667	$1,291,724
	$36,487,883.30	$50,300,000.00	$13,812,116.70

Historical Summary 13th Check

	2002	2001	2000	1999	1998
EXCESS OF RETIRED TEACHER ANNUITY RESERVE OVER ACTUARIAL COMPUTED LIABILITY ON:					
JUNE 30, 2001	$32,439,465.00				
JUNE 30, 2000		$79,177,323.00			
JUNE 30, 1999			$78,102,941.00		
JUNE 30, 1998				$80,905,633.00	
JUNE 30, 1997					$86,646,914.00
JUNE 30, 1996					
JUNE 30, 1995					
JUNE 30, 1994					
JUNE 30, 1993					
JUNE 30, 1992					
JUNE 30, 1991					
JUNE 30, 1990					
RATE APPLIED ON EXCESS	10.00%	10.00%	10.00%	10.00%	10.00%
AMOUNT DISTRIBUTED AS 13TH CHECK		$7,917,720.17	$7,810,253.65	$8,090,764.38	$8,664,691.40
DATE OF PAYMENT	NOVEMBER 1	NOVEMBER 1	NOVEMBER 1	NOVEMBER 1	NOVEMBER 1
PAYABLE TO EACH RETIRED MEMBER (OR SURVIVOR, OR BENEFICIARY OF RETIRED MEMBER) WHO WAS ENTITLED TO RECEIVE MONTHLY BENEFIT ON:	OCTOBER 1	OCTOBER 1	OCTOBER 1	OCTOBER 1	OCTOBER 1
FORMULA FOR DISTRIBUTION: GRAND TOTAL OF THE SUM OF MEMBER'S YEARS OF TEACHING SERVICE AND THE YEARS OF LAST RETIREMENT COUNTING BACK FROM:					
JULY 2, 2001	1,400,598.5 UNITS				
JULY 2, 2000		1,358,387.9 UNITS			
JULY 2, 1999			1,323,056.70 UNITS		
JULY 2, 1998				1,294,481 UNITS	
JULY 2, 1997					1,299,038.0 UNITS
JULY 2, 1996					
JULY 2, 1995					
JULY 2, 1994					
JULY 2, 1993					
JULY 2, 1992					
JULY 2, 1991					
JULY 2, 1990					
DOLLAR ($) RATE PER UNIT	$2.30890	$5.82885	$5.89720	$6.25031	$6.6701
NUMBER OF RETIREES ENTITLED TO 13TH CHECK	34,002	32,994	32,148	31,339	30,677

1997	1996	1995	1994	1993	1992	1991
$88,439,172.00	$88,151,704.00	$82,309,236.00	$81,986,077.00	$75,952,578.00	$87,459,810.00	$69,215,195.00
10.00%	10.00%	10.00%	10.00%	10.00%	15.00%	10.00%
$8,844,401.11	$8,814,538.09	$8,230,922.70	$8,198,598.16	$7,595,257.80	$13,118,971.50	$6,921,380.02
NOVEMBER 1	NOVEMBER 1	NOVEMBER 1	NOVEMBER 1	NOVEMBER 1	NOVEMBER 1	NOVEMBER 1
OCTOBER 1	OCTOBER 1	OCTOBER 1	OCTOBER 1	OCTOBER 1	OCTOBER 1	OCTOBER 1
1,227,607.5 UNITS	1,212,776.5 UNITS	1,186,340.4 UNITS	1,158,321.6 UNITS	1,139,186.7 UNITS	1,119,467.8 UNITS	1,098,631.7 UNITS
$7.2110	$7.2682	$6.9400	$7.08	$6.66	$11.71	$6.30
29,710	29,304	28,630	27,955	27,481	27,013	N/A

Actuarial

INDIANA STATE TEACHERS' RETIREMENT FUND

ACTUARIAL SUMMARY

	June 30, 2001	June 30, 2000	CHANGE
PRE- 96 FUND ACTUARIAL ACCRUED LIABILITY	$7,332,289,878	$7,199,385,932	$132,903,946
96 FUND ACTUARIAL ACCRUED LIABILITY	$380,776,531	$337,632,726	$43,143,805
TOTAL ACTUARIAL LIABILITY	$7,713,066,409	$7,537,018,658	$176,047,751

ACTUARIAL ANALYSIS OF CHANGE IN ACTUARIAL LIABILITY FROM PREVIOUS YEAR'S VALUATION:

PRE - 96 FUND:

DURING THE YEAR ENDED JUNE 30, 2001, UNFUNDED ACTUARIAL ACCRUED LIABILITY IN THE CLOSED PLAN INCREASED $132.9 MILLION. THE INCREASE WAS THE RESULT OF THE ACTUARIAL VALUE OF PLAN ASSETS INCREASING BY $153.6 MILLION, WHILE THE ACTUARIAL ACCRUED LIABILITY WAS INCREASING BY $286.5 MILLION.

96 FUND:

DURING THE YEAR ENDED JUNE 30, 2001, UNFUNDED ACTUARIAL ACCRUED LIABILITY IN THE 1996 PLAN INCREASED $43.1 MILLION. THE NORMAL GROWTH IN LIABILITIES FOR THIS PLAN IS A RESULT OF NEW TEACHERS BEING HIRED AND EXISTING TEACHERS EARNING ANOTHER YEAR OF BENEFIT SERVICE. IN ADDITION, THE ACTUARIAL ACCRUED LIABILITY CONTINUES TO INCREASE AS A RESULT OF THE PRIOR SERVICE RENDERED BY FORMER CLOSED PLAN MEMBERS WHOSE TOTAL SERVICE IS NOW COVERED BY THE 1996 PLAN AS A RESULT OF REHIRE OR CHANGE IN EMPLOYMENT.

NOTE:

THE FOLLOWING TWO PAGES CONTAIN ACTUARIAL DETAILS FOR THE FISCAL YEARS ENDED JUNE 30, 2000 AND JUNE 30,2001.

Reported Assets

The accrued assets at market value as of June 30, 2001 were reported to be $5,810,759,564 and were allocated for valuation purposes as follows:

Reserve Allocation	Closed Plan	New Plan	Total
Member Reserves:			
Active and Inactive	$2,668,945,655	$210,932,183	$2,879,877,838
Retired	618,238,221	1,138,375	619,376,596
Total Member Reserves	3,287,183,876	212,070,558	3,499,254,434
Employer Reserves:			
Active	-	223,259,318	223,259,318
Retired			
Pension Stabilization Fund	1,833,040,979	-	1,833,040,979
Other	243,272,958	11,931,875	255,204,833
Total	2,076,313,937	11,931,875	2,088,245,812
Total Employer Reserves	2,076,313,937	235,191,193	2,311,505,130
Total Reserves	**$5,363,497,813**	**$447,261,751**	**$5,810,759,564**

Actuarial Accrued Liability: Computed and Unfunded

Amounts at June 30, 2001	Closed Plan	New Plan	Total
Retired Members and Beneficiaries:			
Computed accrued liability	$ 4,121,359,222	$12,080,801	$ 4,133,440,023
Allocated assets	2,694,552,158	13,070,250	2,707,622,408
Unfunded Accrued Liability	1,426,807,064	(989,449)	1,425,817,615
Active and Inactive Members:			
Computed accrued liability	8,574,428,469	815,957,481	9,390,385,950
Allocated assets	2,668,945,655	434,191,501	3,103,137,156
Unfunded Accrued Liability	5,905,482,814	381,765,980	6,287,248,794
ISTRF Total:			
Computed accrued liability	12,695,787,691	828,038,282	13,523,825,973
Allocated assets	5,363,497,813	447,261,751	5,810,759,564
Unfunded Accrued Liability	**$ 7,332,289,878**	**$380,776,531**	**$ 7,713,066,409**

Reported Assets

The accrued assets at market value as of June 30,2000 were reported to be $5,578,046,785 and were allocated for valuation purposes as follows:

Reserve Allocation	Closed Plan	New Plan	Totals
Member Reserves:			
Active and Inactive	$2,699,418,476	$195,106,376	2,894,524,852
Retired	648,366,105	1,126,062	649,492,167
Totals	$3,347,784,581	$196,232,438	$3,544,017,019
Employer Reserves			
Active	$ -	$164,372,009	$164,372,009
Retired:			
Pension Stabilization Fund	1,672,647,180		1,672,647,180
Other	189,457,525	7,553,052	197,010,577
Totals	$1,862,104,705	$7,553,052	$1,869,657,757
Total Employer Reserves	$1,862,104,705	$171,925,061	$2,034,029,766
Total Reserves	**$5,209,889,286**	**$368,157,499**	**$5,578,046,785**

Actuarial Accrued Liability: Computed and Unfunded

Amounts at June 30, 2000	Closed Plan	New Plan	Totals
Retired Lives:			
Computed accrued liability	$3,890,895,561	$8,679,114	$3,899,574,675
Reported assets	2,510,470,810	8,679,114	2,519,149,924
Unfunded Accrued Liability	$1,380,424,751	-	$1,380,424,751
Active & Inactive Members:			
Computed accrued liability	$8,518,379,657	$697,111,111	$9,215,490,768
Reported assets	2,699,418,476	359,478,385	3,058,896,861
Unfunded Accrued Liability	$5,818,961,181	$337,632,726	$6,156,593,907
ISTRF Total:			
Computed accrued liability	$12,409,275,218	$705,790,225	$13,115,065,443
Reported assets	5,209,889,286	368,157,499	5,578,046,785
Unfunded Accrued Liability	**$7,199,385,932**	**$337,632,726**	**$7,537,018,785**

GRS

GABRIEL, ROEDER, SMITH & COMPANY

Consultants & Actuaries

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September 18, 2002

Dr. William E. Christopher, Executive Director
Indiana State Teachers Retirement Fund
150 W. Market Street, Suite 300
Indianapolis, Indiana 46204-2809

Re: Short-Term Projected State Pension Payouts for Budget Estimates
Fiscal Years Ending 2003-2007

Dear Dr. Christopher:

Following our discussions with Tom Abbett regarding the level of the current year payouts, we are providing below the requested projections of State pension payouts to be used for budgeting purposes. The projections were based on June 30, 2001 valuation data and assumptions, except for the following adjustments:

1. The probabilities of retirement were adjusted to include a moderate margin for adverse experience (see attachment).
2. In addition, to refine our estimate of future COLA Payouts, we compared our projections for each of the four years from 1999 through 2002 with the actual COLA results for those same years. In each case, the projection amounts exceeded the actual by an average of approximately 7%. To produce a better set of projected values this year, we reduced the COLA amounts by approximately 7%. As part of our next Experience Study, retirement probabilities will be reviewed. Any changes in this assumption that the Board adopts will be reflected in the budget projections that follow the Study.

Projected payouts for budget estimates are as follows ($ in millions):

FY Ending June 30	Base Pension Payout	COLA Payout	Total
2003	$415.2	$55.2	$470.4
2004	456.3	52.2	508.5
2005	500.3	49.2	549.5
2006	548.6	46.2	594.8
2007	599.9	43.4	643.3

The COLA payouts include the COLA payable July 1, 2002. An adjustment for future COLAs was NOT included.

A comparison of the projected pension payout for budget purposes and the actual pension payout for fiscal years ending June 30, 1999 through June 30, 2002 is shown below:

FY Ending	**GRS Projected Payout**			**Actual Pension Payout**		
6/30	**Base**	**COLAs**	**Total**	**Base**	**COLAs**	**Total**
1999	$298.1	$47.3	$345.4	$290.7	$41.2	$331.9
2000	329.7	50.6	380.3	314.5	49.6	364.1
2001	350.5	53.2	403.7	342.4	52.7	395.1
2002	381.9	60.1	442.0	371.3	52.3	423.6

Please call us with any questions or concerns.

Sincerely,

Brian F. Dunn

Mark K. Johnson

MKJ:lr

Enclosure

cc: Judith A. Kermans
Tom Abbett (ISTRF)

Probabilities of Regular Age and Service Retirement for Members Eligible to Retire

Regular Valuation Assumptions

Rule of 85 Retirement			Regular Retirement		
Age	Male	Female	Age	Male	Female
55	0.11	0.11	60	0.15	0.15
56	0.10	0.11	61	0.20	0.15
57	0.10	0.12	62	0.30	0.20
58	0.12	0.12	63	0.30	0.20
59	0.15	0.16	64	0.30	0.20
60	0.15	0.15	65	0.40	0.35
61	0.20	0.15	66	0.40	0.25
62	0.30	0.20	67	0.30	0.25
63	0.30	0.20	68	0.25	0.30
64	0.30	0.20	69	0.20	0.30
65	0.40	0.35	70	1.00	1.00
66	0.40	0.25			
67	0.30	0.25			
68	0.25	0.30			
69	0.20	0.30			
70	1.00	1.00			

Assumptions used in September 18, 2002 Budget Projections

Rule of 85 Retirement			Regular Retirement		
Age	Male	Female	Age	Male	Female
55	0.21	0.21	60	0.25	0.25
56	0.20	0.21	61	0.30	0.25
57	0.20	0.22	62	0.40	0.30
58	0.22	0.22	63	0.40	0.30
59	0.25	0.26	64	0.40	0.30
60	0.25	0.25	65	0.50	0.45
61	0.30	0.25	66	0.50	0.35
62	0.40	0.30	67	0.40	0.35
63	0.40	0.30	68	0.35	0.40
64	0.40	0.30	69	0.30	0.40
65	0.50	0.45	70	1.00	1.00
66	0.50	0.35			
67	0.40	0.35			
68	0.35	0.40			
69	0.30	0.40			
70	1.00	1.00			

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August 29, 2002

Dr. William E. Christopher, Director
Indiana State Teachers Retirement Fund
150 W. Market Street, Suite 300
Indianapolis, Indiana 46204-2809

Re: Retired Life Valuation Results and
Estimate of Contingency Reserve for Retired Member Annuities

Dear Dr. Christopher:

Enclosed you will find a table showing a summary of the results of our valuation of retired life liabilities as of June 30, 2002 using the data from the legacy data system. Also shown are the results of the June 30, 2001 valuation for comparison. Upon receipt of the retired life data from Covansys we will make a comparative valuation using that data and send you a letter similar to this that will compare the valuation results for the two data sets.

Recently, Tom Abbett requested our estimate of the Contingency Reserve for Retired Member Annuity Liabilities as of June 30, 2002 (see item A.2. on the lower half of pages B-6 and B-7 in the June 30, 2001 Actuarial Valuation – copies enclosed). This amount is the difference between the Annuity Liabilities (calculated by GRS) and the Retired Member Annuity Reserve that supports those liabilities (reserve value provided by Tom Abbett). Last year the Contingency Reserve was $32,379,843 for the Closed Plan and $59,622 for the New Plan.

This year, a preliminary estimate indicates that the Contingency Reserve will be $(41,644,245) for the Closed Plan and $(120,777) for the New Plan. These preliminary results are based on the June 30, 2002 estimate of the total assets in the Retired Member Annuity Reserve of $567,000,000, which Tom has provided us. The change from a positive to a negative Contingency Reserve in each case is due to the annual and expected growth of liabilities and a reduction in the level of assets in the Retired Member Annuity Reserve due to market forces and regular annuity payments.

August 29, 2002

A table showing the development of the Contingency Reserves for June 30, 2001 and June 30, 2002 is attached.

Please call us with any question or concerns.

Sincerely,

Judith A. Kermans

Mark K. Johnson

MKJ:lr

Enclosure

cc: Tom Abbett (ISTRF)
Brian Dunn (GRS)

Closed Plan Balance Sheet
Summary Statement of Fund Resources and Obligations

Present Resources and Expected Future Resources

Present Resources and Expected Future Resources

	Annuities	Pensions	Total
A. Funding value of system assets			
1. Net assets from Fund financial statements	$3,287,183,876	$ 2,076,313,937	$ 5,363,497,813
2. Funding value adjustment	0	0	0
3. Funding value of assets	3,287,183,876	2,076,313,937	5,363,497,813
B. Actuarial present value of expected future employer contributions			
1. For normal costs	0	1,852,751,678	1,852,751,678
2. For unfunded actuarial accrued liability	0	7,332,289,878	7,332,289,878
3. Total	0	9,185,041,556	9,185,041,556
C. Total Present and Future Resources	$3,287,183,876	$11,261,355,493	$14,548,539,369

Actuarial Present Value of Expected Future Benefit Payments and Reserves

Actuarial Present Value of Expected Future Benefit Payments and Reserves

	Annuities	Pensions	Total
A. To retired members and beneficiaries			
1. Annual benefits	$ 585,858,378	$ 3,503,121,001	$ 4,088,979,379
2. Reserve	32,379,843	0	32,379,843
3. Totals	618,238,221	3,503,121,001	4,121,359,222
B. To vested terminated members	189,928,628	121,173,749	311,102,377
C. To present active members			
1. Allocated to service rendered prior to valuation date	2,479,017,027	5,784,309,065	8,263,326,092
2. Allocated to service likely to be rendered after valuation date	0	1,852,751,678	1,852,751,678
3. Total	2,479,017,027	7,637,060,743	10,116,077,770
D. Total Actuarial Present Value of Expected Future Benefit Payments and Reserves	$3,287,183,876	$11,261,355,493	$14,548,539,369

New Plan Balance Sheet
Summary Statement of Fund Resources and Obligations

Present Resources and Expected Future Resources

	Annuities	Pensions	Total
A. Funding value of system assets			
1. Net assets from Fund financial statements	$212,070,558	$ 235,191,193	$ 447,261,751
2. Funding value adjustment	0	0	0
3. Funding value of assets	212,070,558	235,191,193	447,261,751
B. Actuarial present value of expected future employer contributions			
1. For normal costs	0	889,942,536	889,942,536
2. For unfunded actuarial accrued liability	0	380,776,531	380,776,531
3. Total	0	1,270,719,067	1,270,719,067
C. Total Present and Future Resources	$212,070,558	$1,505,910,260	$1,717,980,818

Actuarial Present Value of Expected Future Benefit Payments and Reserves

	Annuities	Pensions	Total
A. To retired members and beneficiaries			
1. Annual benefits	$ 1,078,753	$ 10,942,426	$ 12,021,179
2. Reserve	59,622	0	59,622
3. Totals	1,138,375	10,942,426	12,080,801
B. To vested terminated members	11,876,771	5,510,916	17,387,687
C. To present active members			
1. Allocated to service rendered prior to valuation date	199,055,412	599,514,382	798,569,794
2. Allocated to service likely to be rendered after valuation date	0	889,942,536	889,942,536
3. Total	199,055,412	1,489,456,918	1,688,512,330
D. Total Actuarial Present Value of Expected Future Benefit Payments	$212,070,558	$1,505,910,260	$1,717,980,818

INDIANA STATE TEACHERS' RETIREMENT FUND
RETIRED LIFE ACTUARIAL VALUATION SUMMARY
AS OF JUNE 30, 2002

	Results as of June 30, 2002	2001
Closed Plan		
Number valued	34,646	33,698
Monthly Annuity Amount Being Paid	$ 5,444,155	$ 5,231,218
Monthly Pension Amount Being Paid	$ 34,613,345	$ 32,544,301
Annuity Liabilities	$ 607,004,582	$ 585,858,378
Pension Liabilities	$3,752,957,277	$3,503,121,001
New Plan		
Number valued	108	85
Monthly Annuity Amount Being Paid	$ 13,328	$ 8,169
Monthly Pension Amount Being Paid	$ 125,194	$ 90,677
Annuity Liabilities	$ 1,760,440	$ 1,078,753
Pension Liabilities	$ 15,484,918	$ 10,942,426

INDIANA STATE TEACHERS' RETIREMENT FUND
ESTIMATE OF CONTINGENCY RESERVE
FOR RETIRED MEMBER ANNUITIES

June 30, 2002 Preliminary Estimate

	Closed Plan	New Plan	Total
Retired Member Annuity Reserve	$ 565,360,337	$ 1,639,663	$ 567,000,000
Liabilities for Retired Member Annuities	607,004,582	1,760,440	608,765,022
Contingency Reserve	$ (41,644,245)	$ (120,777)	$ (41,765,022)

June 30, 2001 Valuation Result

	Closed Plan	New Plan	Total
Retired Member Annuity Reserve	$ 618,238,221	$ 1,138,375	$ 619,376,596
Liabilities for Retired Member Annuities	585,858,378	1,078,753	586,937,131
Contingency Reserve	$ 32,379,843	$ 59,622	$ 32,439,465

Investment

ANNUITY SAVINGS ACCOUNT INVESTMENT OPTION RATES OF RETURN
FOR THE FISCAL YEAR ENDING JUNE 30:

	2002	2001	2000	1999*
S&P500 Index Fund	-17.96%	-14.71%	7.21%	36.37%
Small Cap Equity Fund	-4.46%	7.58%	38.65%	34.66%
International Fund	-11.98%	-24.13%	26.27%	29.74%
Bond Fund	5.54%	11.08%	5.99%	1.04%
Guaranteed Fund	7.50%	7.75%	7.75%	8.00%

*Results for S&P500 Index, Small Cap Equity and International are for 10/1/98 to 6/30/99.

RATES OF RETURN FOR EMPLOYER INVESTMENTS
FOR THE FISCAL YEAR ENDING JUNE 30:

	2002	2001	2000	1999*
Large Cap Equities	-17.35%	-13.91%	6.74%	30.03%
Mid Cap Equities	-8.60%	1.87%	29.31%	0.00%
Small Cap Equities	-4.26%	7.87%	39.56%	35.26%
International Equities	-11.72%	-24.38%	23.39%	29.15%
Fixed Income	6.02%	11.23%	4.83%	3.07%
COMPOSIT RETURN	-2.60%	2.08%	10.05%	12.35%

*Results for S&P500 Index, Small Cap Equity and International are for 10/1/98 to 6/30/99.

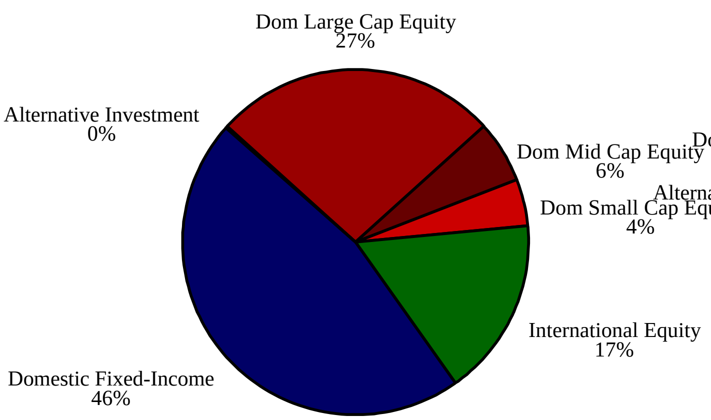
EMPLOYER ASSET ALLOCATION

	@6/30/02	@6/30/01	@6/30/00	@6/30/99
Large Cap Equities	26.6%	23%	28%	28%
Mid Cap Equities	5.9%	5%	6%	0%
Small Cap Equities	4.5%	6%	6%	5%
International Equities	16.7%	8%	8%	5%
Alternative Investments	0.1%	0%	0%	0%
Fixed Income	46.3%	57%	52%	62%
TOTAL	100.0%	100%	100%	100%

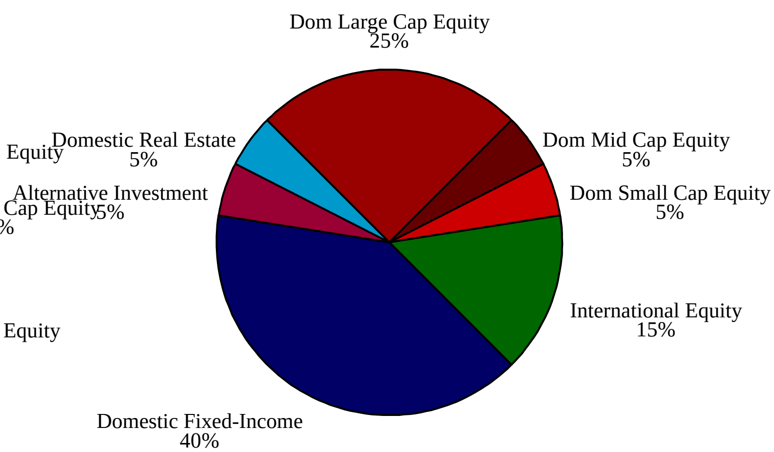
Actual vs Target Asset Allocation

The top left chart shows the Fund's asset allocation as of June 30, 2002. The top right chart shows the Fund's target asset allocation as outlined in the investment policy statement. The bottom chart ranks the fund's asset allocation and the target allocation versus the Public Plan Sponsor Database.

Actual Asset Allocation

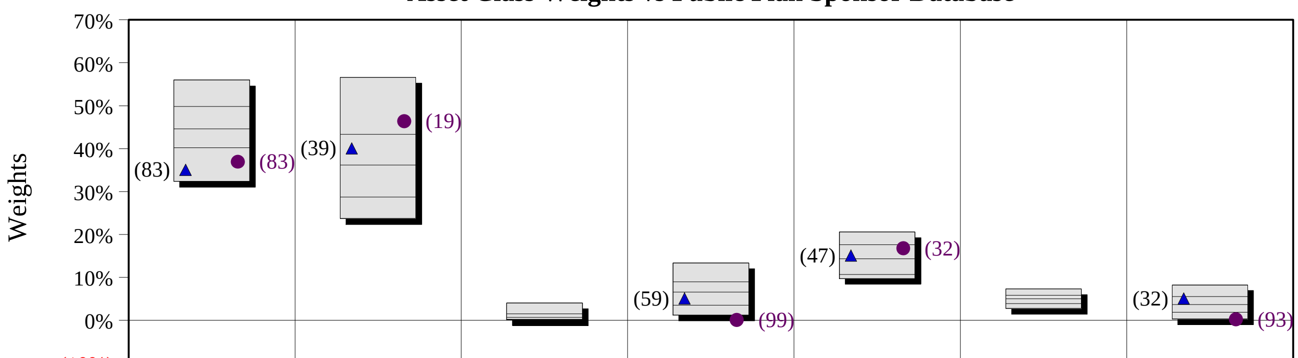


Target Asset Allocation



Asset Class	$000s Actual	Percent Actual	Percent Target	Percent Difference	$000s Difference
Dom Large Cap Equity	805,341	26.6%	25.0%	1.6%	47,377
Dom Mid Cap Equity	177,199	5.8%	5.0%	0.8%	25,606
Dom Small Cap Equity	134,845	4.4%	5.0%	(0.6%)	(16,748)
International Equity	506,089	16.7%	15.0%	1.7%	51,311
Domestic Fixed-Income	1,404,673	46.3%	40.0%	6.3%	191,930
Alternative Investment	3,709	0.1%	5.0%	(4.9%)	(147,883)
Domestic Real Estate	0	0.0%	5.0%	(5.0%)	(151,593)
Total	3,031,857	100.0%	100.0%		

Asset Class Weights vs Public Plan Sponsor Database



	Domestic Broad Eq	Domestic Fixed-Income	Short Term/Cash	Domestic Real Estate	International Equity	Intl Fixed-Inc	Alternative Investment
10th Percentile	55.91	56.52	3.98	13.27	20.55	7.26	8.18
25th Percentile	49.84	43.28	1.51	8.94	17.54	5.83	5.49
Median	44.55	36.18	0.65	6.58	14.31	5.00	3.64
75th Percentile	40.17	28.70	0.22	3.54	10.65	3.90	1.84
90th Percentile	32.32	23.63	0.04	1.17	9.66	2.68	0.25
Fund ●	36.85	46.33	-	0.00	16.69	-	0.12
Target ▲	35.00	40.00	-	5.00	15.00	-	5.00
% Group Invested	98.84%	100.00%	61.63%	41.86%	82.56%	22.09%	37.21%

* Current Quarter Target = 40.0% L/B Agg, 25.0% S&P 500, 15.0% MSCI EAFE Index, 5.0% Russell 2000, 5.0% S&P Mid Cap 400, 5.0% Wilshire Real Estate Idx and 5.0% Post Venture Cap Idx.

Investment Manager Asset Allocation

The table below contrasts the distribution of assets across the Fund's investment managers as of June 30, 2002, with the distribution as of March 31, 2002.

Asset Distribution Across Investment Managers

	June 30, 2002 Market Value	June 30, 2002 Percent	March 31, 2002 Market Value	March 31, 2002 Percent
Employer Assets	**$3,028,147,196**	**53.43%**	**$3,212,090,419**	**54.69%**
Domestic Large Cap Equity	805,341,088	14.21%	960,966,162	16.36%
Domestic Mid Cap Equity	177,198,830	3.13%	193,423,198	3.29%
Domestic Small Cap Equity	134,845,136	2.38%	158,356,620	2.70%
International Equity	506,089,018	8.93%	516,580,995	8.80%
Domestic Fixed-Income	1,404,673,124	24.79%	1,382,763,444	23.54%
Alternative Investment	3,709,421	0.07%	-	-
Employee Assets	**$2,635,148,399**	**46.50%**	**$2,661,033,563**	**45.31%**
Domestic Large Cap Equity	525,953,971	9.28%	571,992,259	9.74%
Domestic Small Cap Equity	323,744,856	5.71%	341,711,247	5.82%
International Equity	69,966,477	1.23%	72,730,302	1.24%
Domestic Fixed-Income	1,715,483,095	30.27%	1,674,599,755	28.51%
Total Fund	**$5,667,005,016**	**100.0%**	**$5,873,123,982**	**100.0%**

Investment Manager Asset Allocation

The table below contrasts the distribution of assets across the Fund's investment managers as of June 30, 2002, with the distribution as of March 31, 2002.

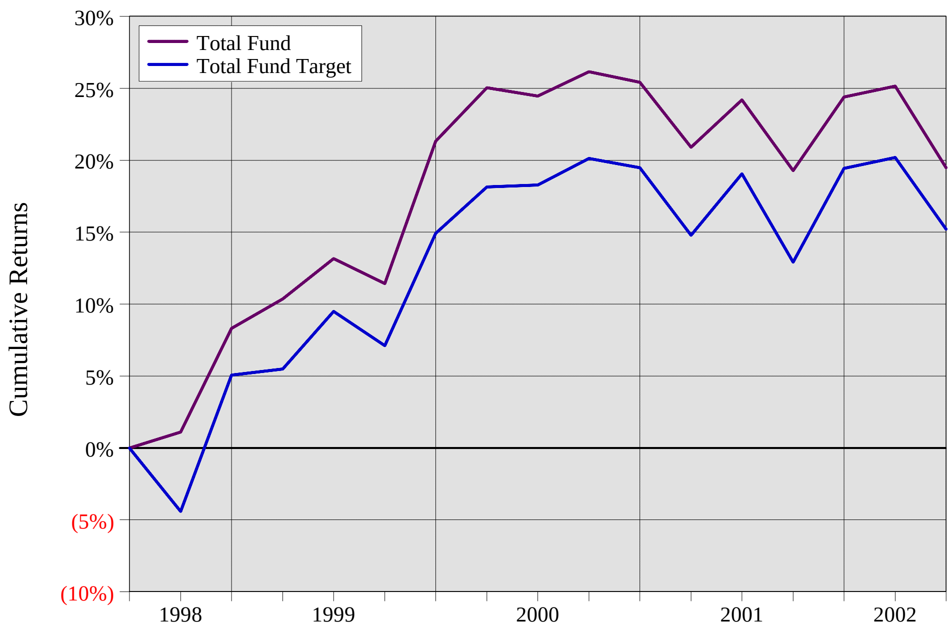
Asset Distribution Across Investment Managers

	June 30, 2002 Market Value	June 30, 2002 Percent	March 31, 2002 Market Value	March 31, 2002 Percent
Domestic Equity	**$1,967,083,881**	**34.71%**	**$2,226,449,486**	**37.91%**
Large Cap Equity	**$1,331,295,059**	**23.49%**	**$1,532,958,421**	**26.10%**
Passive				
Barclays Global Investors	670,138,177	11.83%	773,660,961	13.17%
Rhumbline	186,869,676	3.30%	215,624,487	3.67%
Enhanced				
J.P. Morgan	-	-	452,512	0.01%
PIMCO	265,091,665	4.68%	304,260,816	5.18%
Growth				
Dresdner	31,303,152	0.55%	37,198,972	0.63%
ForeFront	-	-	11,363	0.00%
INTECH	37,103,106	0.65%	41,948,504	0.71%
H-S&Y	33,479,500	0.59%	39,241,339	0.67%
Value				
Earnest	19,693,370	0.35%	22,611,299	0.38%
GEAM	30,275,500	0.53%	34,141,684	0.58%
ICAP	26,266,471	0.46%	29,239,273	0.50%
PFR	31,074,442	0.55%	34,567,211	0.59%
Mid Cap Equity	**$177,198,830**	**3.13%**	**$193,423,198**	**3.29%**
Core				
Franklin Associates	60,140,201	1.06%	64,818,559	1.10%
Growth				
Putnam Investments	58,495,079	1.03%	66,909,790	1.14%
Value				
Valenzuela Capital Partners	58,563,550	1.03%	61,694,849	1.05%
Small Cap Equity	**$458,589,992**	**8.09%**	**$500,067,867**	**8.51%**
Growth				
Aeltus Capital Management	94,727,487	1.67%	108,844,055	1.85%
TCW Group	67,073,781	1.18%	82,787,553	1.41%
Value				
Ariel Capital Management	141,340,723	2.49%	145,840,828	2.48%
Brandywine Capital Mgmt	155,448,001	2.74%	162,595,431	2.77%
International Equity	**$576,055,495**	**10.17%**	**$589,311,297**	**10.03%**
Alliance Capital Mgmt	195,048,809	3.44%	197,644,234	3.37%
Bank of Ireland	196,545,212	3.47%	200,287,658	3.41%
Dresdner RCM Global	184,461,474	3.26%	191,379,405	3.26%
Domestic Fixed-Income	**$3,120,156,219**	**55.06%**	**$3,057,363,199**	**52.06%**
Alliance Capital Mgmt	1,479,259,549	26.10%	1,445,254,561	24.61%
Bank of New York	-	-	103,251	0.00%
Bank One, Indianapolis	-	-	291,787	0.00%
Reams Asset Management	1,469,742,361	25.94%	1,448,962,470	24.67%
Seix Investment Advisors	166,194	0.00%	29,773,186	0.51%
Taplin, Canida & Habacht	61,986,556	1.09%	61,314,393	1.04%
Cash Flow Account	109,001,559	1.92%	71,663,551	1.22%
Alternative Investment	**$3,709,421**	**0.07%**	**-**	**-**
Porfolio Advisors	3,709,421	0.07%	-	-
Total Fund	**$5,667,005,016**	**100.0%**	**$5,873,123,982**	**100.0%**

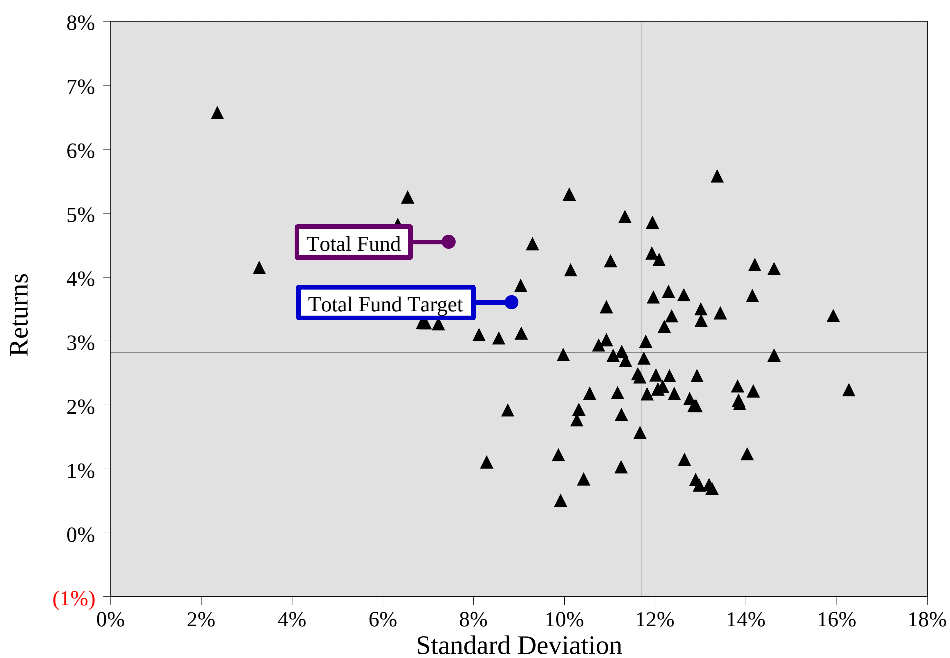
Cumulative Performance Relative to Target

The first chart below illustrates the cumulative performance of the Total Fund relative to the cumulative performance of the Fund's Target Asset Mix. The Target Mix is assumed to be rebalanced each quarter with no transaction costs. The second chart below shows the return and the risk of the Total Fund and the Target Mix, contrasted with the returns and risks of the plans in the Public Plan Sponsor Database.

Cumulative Returns Actual vs Target



Four Year Annualized Risk vs Return



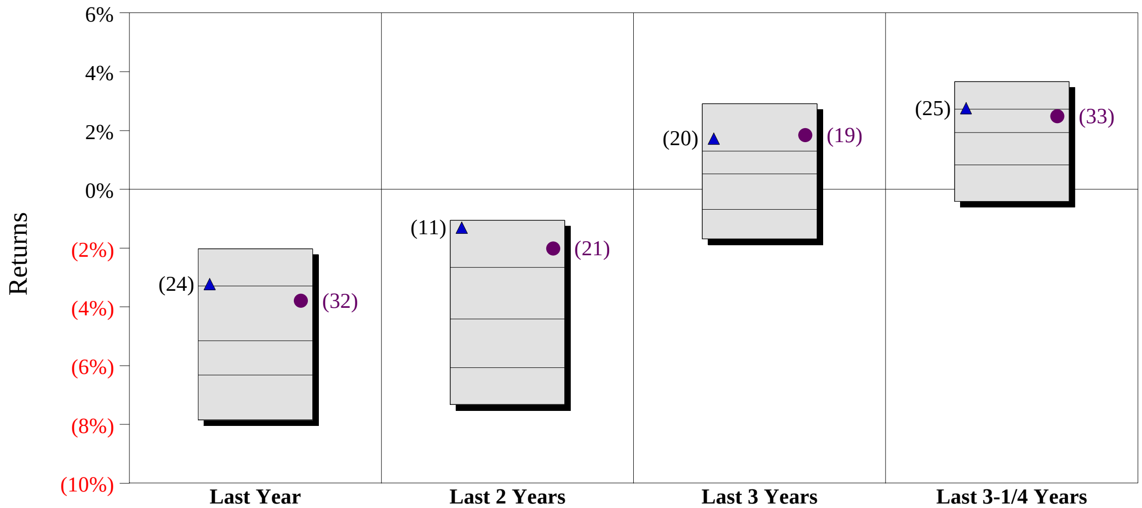
Triangles represent membership of the Public Plan Sponsor Database

* Current Quarter Target = 40.0% L/B Agg, 25.0% S&P 500, 15.0% MSCI EAFE Index, 5.0% Russell 2000, 5.0% S&P Mid Cap 400, 5.0% Wilshire Real Estate Idx and 5.0% Post Venture Cap Idx.

Total Fund Ranking

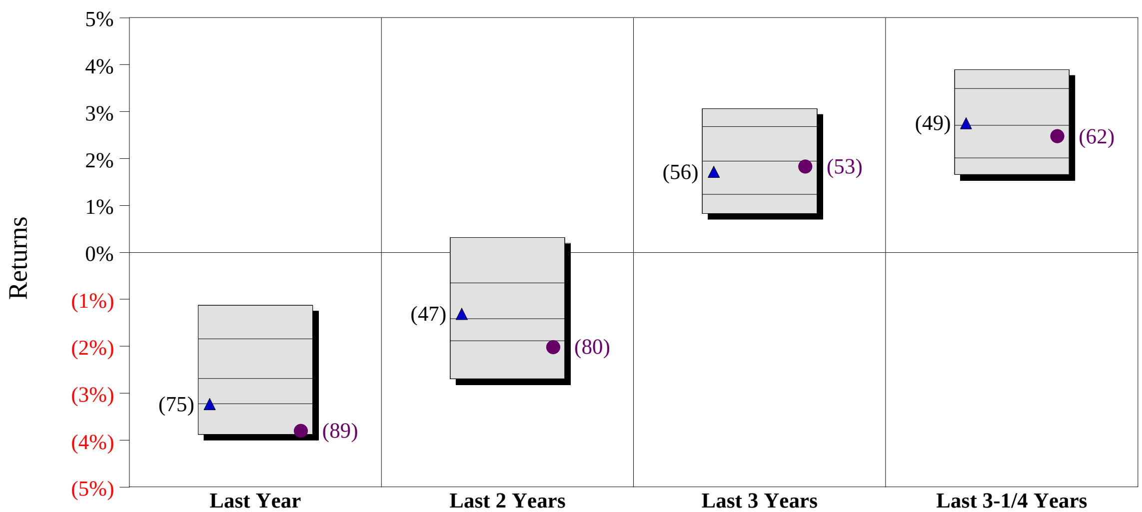
The first two charts show the ranking of the Total Fund's performance relative to that of the Public Plan Sponsor Database for periods ended June 30, 2002. The first chart is a standard unadjusted ranking. In the second chart each fund in the database is adjusted to have the same historical asset allocation as that of the Total Fund.

Public Plan Sponsor Database



	Last Year	Last 2 Years	Last 3 Years	Last 3-1/4 Years
10th Percentile	(2.04)	(1.06)	2.90	3.65
25th Percentile	(3.29)	(2.66)	1.30	2.73
Median	(5.15)	(4.42)	0.52	1.93
75th Percentile	(6.32)	(6.07)	(0.69)	0.83
90th Percentile	(7.85)	(7.33)	(1.70)	(0.42)
Total Fund ●	(3.80)	(2.02)	1.82	2.47
Policy Target ▲	(3.24)	(1.31)	1.71	2.75

Asset Allocation Adjusted Ranking



	Last Year	Last 2 Years	Last 3 Years	Last 3-1/4 Years
10th Percentile	(1.13)	0.31	3.06	3.89
25th Percentile	(1.84)	(0.65)	2.68	3.49
Median	(2.69)	(1.41)	1.94	2.71
75th Percentile	(3.23)	(1.88)	1.24	2.02
90th Percentile	(3.88)	(2.70)	0.83	1.66
Total Fund ●	(3.80)	(2.02)	1.82	2.47
Policy Target ▲	(3.24)	(1.31)	1.71	2.75

* Current Quarter Target = 40.0% L/B Agg, 25.0% S&P 500, 15.0% MSCI EAFE Index, 5.0% Russell 2000, 5.0% S&P Mid Cap 400, 5.0% Wilshire Real Estate Idx and 5.0% Post Venture Cap Idx.

TOTAL DOMESTIC EQUITY
PERIOD ENDED JUNE 30, 2002

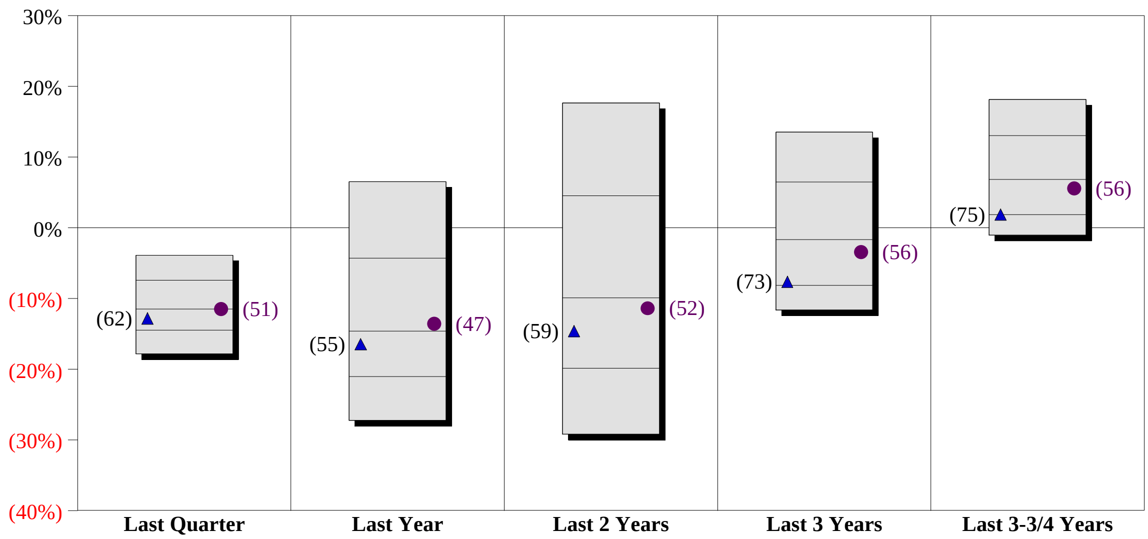
Investment Philosophy

The Total Equity Database is a broad collection of actively managed separate account domestic equity products. Equity funds concentrate their investments in common stocks and convertible securities. Funds included maintain well-diversified portfolios.

Quarterly Summary and Highlights

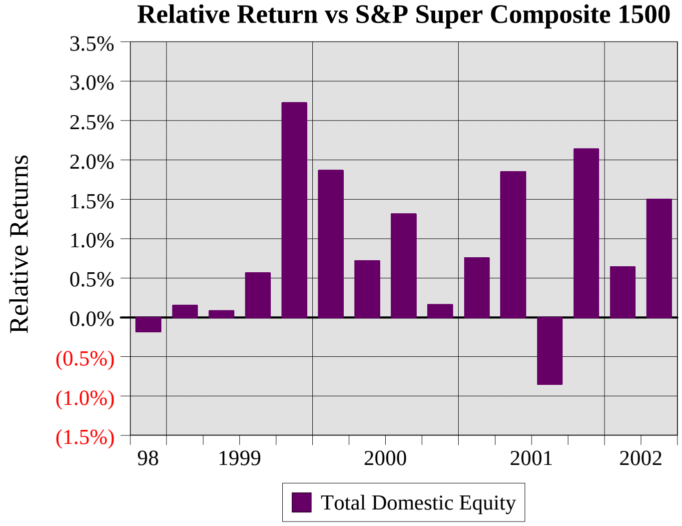
- Total Domestic Equity's portfolio posted a (11.54)% return for the quarter placing it in the 51 percentile of the Total Domestic Equity Database group for the quarter and in the 47 percentile for the last year.
- Total Domestic Equity's portfolio outperformed the S&P Super Composite 1500 by 1.31% for the quarter and outperformed the S&P Super Composite 1500 for the year by 2.88%.

Performance vs Total Domestic Equity Database

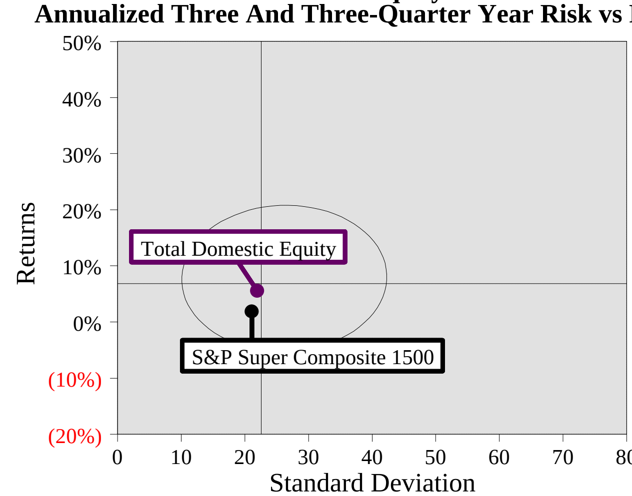


	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 3-3/4 Years
10th Percentile	(3.89)	6.51	17.65	13.50	18.13
25th Percentile	(7.43)	(4.29)	4.56	6.48	13.02
Median	(11.49)	(14.60)	(9.92)	(1.65)	6.84
75th Percentile	(14.50)	(21.03)	(19.89)	(8.16)	1.86
90th Percentile	(17.86)	(27.26)	(29.24)	(11.63)	(1.08)
Total Domestic Equity ●	(11.54)	(13.62)	(11.42)	(3.49)	5.52
S&P Super Composite 1500 ▲	(12.85)	(16.50)	(14.66)	(7.66)	1.84

Relative Return vs S&P Super Composite 1500



Total Domestic Equity Database
Annualized Three And Three-Quarter Year Risk vs Return



TOTAL FIXED-INCOME
PERIOD ENDED JUNE 30, 2002

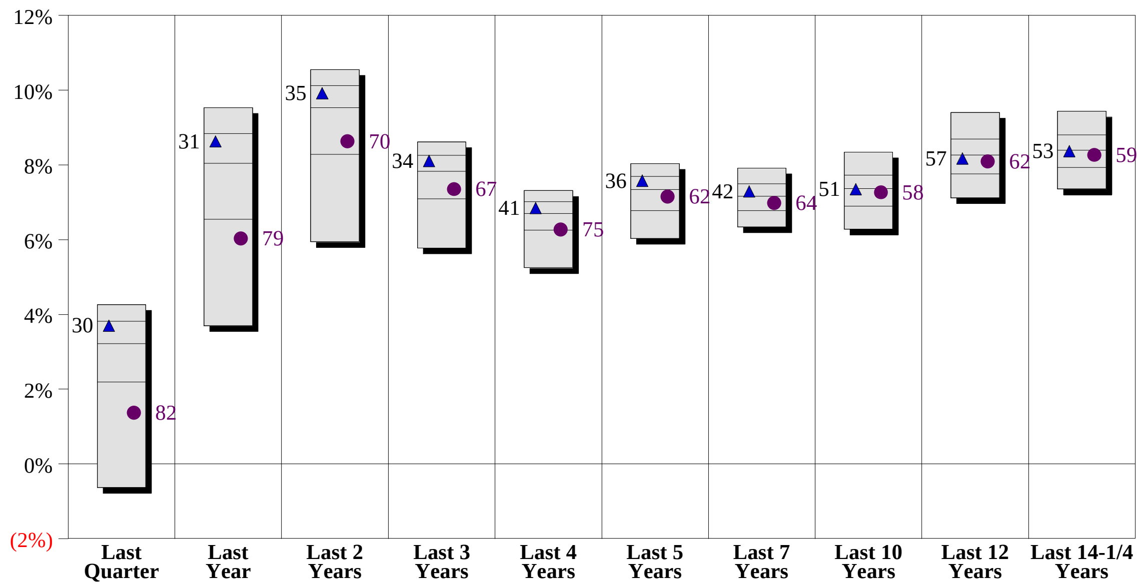
Investment Philosophy

The Total Fixed-Income Database is a broad collection of separate account domestic fixed-income products. Fixed-Income funds concentrate their investments in bonds, preferred stocks, and money market securities.

Quarterly Summary and Highlights

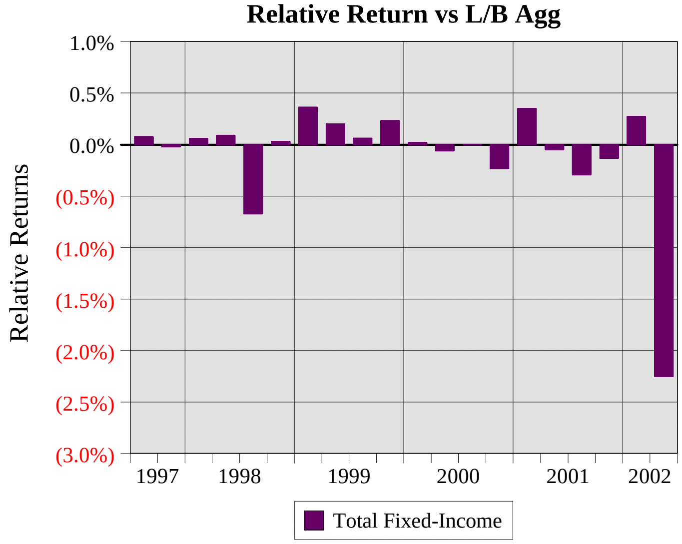
- Total Fixed-Income's portfolio posted a 1.36% return for the quarter placing it in the 82 percentile of the Total Domestic Fixed-Inc Database group for the quarter and in the 79 percentile for the last year.
- Total Fixed-Income's portfolio underperformed the L/B Agg by 2.33% for the quarter and underperformed the L/B Agg for the year by 2.61%.

Performance vs Total Domestic Fixed-Inc Database

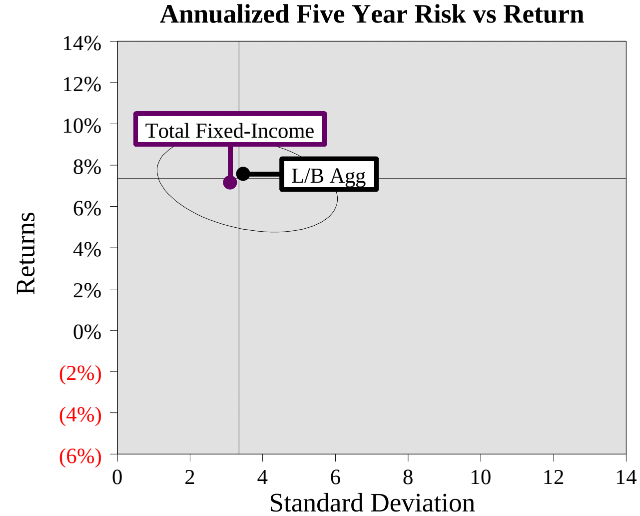


	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 4 Years	Last 5 Years	Last 7 Years	Last 10 Years	Last 12 Years	Last 14-1/4 Years
10th Percentile	4.26	9.52	10.54	8.61	7.31	8.03	7.91	8.34	9.40	9.43
25th Percentile	3.82	8.84	10.12	8.26	7.02	7.69	7.50	7.73	8.70	8.80
Median	3.22	8.04	9.53	7.83	6.70	7.34	7.16	7.37	8.27	8.39
75th Percentile	2.19	6.54	8.28	7.09	6.25	6.78	6.78	6.89	7.76	7.93
90th Percentile	(0.64)	3.69	5.94	5.77	5.24	6.03	6.34	6.28	7.11	7.35
Total Fixed-Income ●	1.36	6.02	8.63	7.35	6.26	7.15	6.97	7.26	8.08	8.26
L/B Agg ▲	3.69	8.63	9.91	8.10	6.84	7.57	7.29	7.34	8.16	8.36

Relative Return vs L/B Agg



Total Domestic Fixed-Inc Database
Annualized Five Year Risk vs Return



Investment Manager Returns

The table below details the rates of return for the plan's investment managers over various time periods ended June 30, 2002. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended June 30, 2002

	Last Quarter	Last Year	Last 3 Years	Last 4 Years	Last 5 Years
Domestic Equity	**(11.54%)**	**(13.62%)**	**(3.49%)**	-	-
Large Cap Equity	**(13.14%)**	**(17.35%)**	**(9.12%)**	-	-
Passive	**(13.37%)**	**(17.92%)**	-	-	-
Barclays Global Investors	(13.38%)	(17.96%)	(9.18%)	(2.07%)	3.67%
Rhumbline	(13.33%)	(17.73%)	(10.50%)	(3.02%)	2.90%
Enhanced	**(13.03%)**	**(17.51%)**	-	-	-
PIMCO	(13.05%)	(16.38%)	(8.00%)	(1.01%)	4.66%
Standard & Poor's 500	(13.40%)	(17.99%)	(9.18%)	(2.07%)	3.66%
Growth	**(13.81%)**	**(20.56%)**	-	-	-
Dresdner	(15.69%)	(27.00%)	-	-	-
INTECH	(11.44%)	(7.80%)	-	-	-
H-S&Y	(14.56%)	(22.76%)	-	-	-
Russell 1000 Growth	(18.67%)	(26.49%)	(16.15%)	(6.93%)	(0.28%)
S&P 500 Growth	(16.26%)	(18.50%)	(13.25%)	(4.36%)	2.45%
Value	**(10.84%)**	**(8.61%)**	-	-	-
Earnest	(12.75%)	(18.22%)	-	-	-
GEAM	(11.20%)	(12.52%)	-	-	-
ICAP	(10.00%)	(9.79%)	-	-	-
PFR	(9.93%)	4.80%	-	-	-
Russell 1000 Value	(8.52%)	(8.95%)	(2.92%)	1.58%	6.53%
S&P 500 Value	(10.65%)	(18.09%)	(5.69%)	(0.56%)	4.11%
Mid Cap Equity	**(8.27%)**	**(8.60%)**	**6.96%**	-	-
Franklin Portfolio Assoc.	(7.16%)	0.45%	9.20%	11.03%	14.58%
Putnam Investments	(12.43%)	(20.61%)	2.12%	6.13%	10.43%
Valenzuela Capital	(4.94%)	(4.20%)	1.78%	(0.17%)	4.38%
S&P 400 Mid Cap	(9.31%)	(4.72%)	6.66%	9.20%	12.58%
Small Cap Equity	**(7.92%)**	**(4.26%)**	**11.27%**	-	-
Growth	**(15.39%)**	**(29.98%)**	-	-	-
Aeltus Capital Management	(12.83%)	(14.83%)	0.30%	(0.94%)	3.80%
TCW Group	(18.75%)	(45.22%)	(17.23%)	(8.49%)	(1.82%)
Russell 2000 Growth	(15.70%)	(25.00%)	(9.63%)	(5.44%)	(1.98%)
Value	**(3.28%)**	**14.32%**	-	-	-
Ariel Capital Management	(2.99%)	11.20%	12.38%	10.25%	14.47%
Brandywine Asset Management	(3.54%)	17.28%	12.63%	-	-
Russell 2000 Value	(2.12%)	8.49%	12.02%	7.30%	9.70%
International Equity	**(2.24%)**	**(11.72%)**	**(5.65%)**	-	-
Alliance Capital Management	(1.31%)	(8.33%)	(6.52%)	-	-
Bank of Ireland	(1.92%)	(9.62%)	(3.35%)	-	-
Dresdner RCM	(3.53%)	(17.51%)	(8.27%)	-	-
MSCI EAFE Index	(2.12%)	(9.49%)	(6.78%)	(3.37%)	(1.55%)
Alternative Investment	**0.00%**	-	-	-	-
Porfolio Advisors	0.00%	-	-	-	-
Post Venture Cap Index	(25.35%)	(44.29%)	(26.03%)	(11.90%)	(4.88%)

Defined Benefit Investment
Cost Effectiveness Analysis

(for the 5 years ending December 31, 2001)

Indiana State Teachers' Retirement Fund

Prepared July 16, 2002 by:

COST EFFECTIVENESS MEASUREMENT INC.

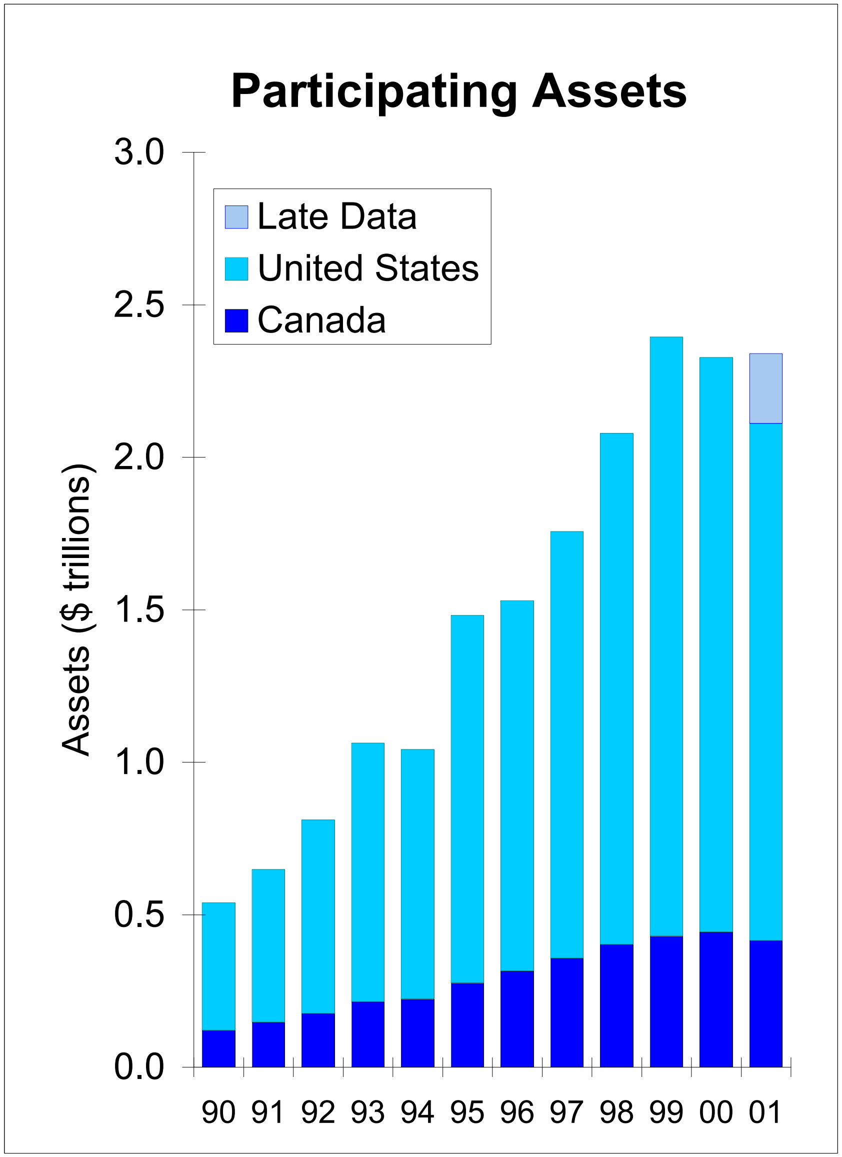
350 Bay St., Suite 800, Toronto, ON M5H 2S6
Tel: 416-369-0568 Fax: 416-369-0879
www.costeffectiveness.com

Comparisons are to CEM's extensive pension performance database.

• 150 US funds participate representing 30% of U.S. defined benefit assets.

• 87 Canadian funds participate representing 70% of Canadian defined benefit assets.

• The most meaningful comparisons for returns and value added are to the US universe.



The most valuable comparisons for cost performance are to your custom peer group because size impacts costs.

Custom Peer Group for Indiana State Teachers' Retirement Fund

- 21 sponsors from $4.4 billion to $7.2 billion.
- Average size $5.7 billion versus your $5.8 billion

3M Company	Nebraska Investment Council
American Airlines Fixed Benefit Plan	New Hampshire Retirement System
Arkansas Teacher Retirement System	Oklahoma Teachers' Retirement System
Exxon Mobil Corporation	Orange County Employees
General Dynamics Corporation	Pacific Gas and Electric
Indiana State Teachers'	Rhode Island State Employees
International Paper	Shell Oil Company
Int'l Union of Operating Engineers	The Dow Chemical Company
Louisiana State Employees'	West Virginia Investment Management Board
Missouri State Employees'	Wyoming Retirement System
Montana Board of Investments	

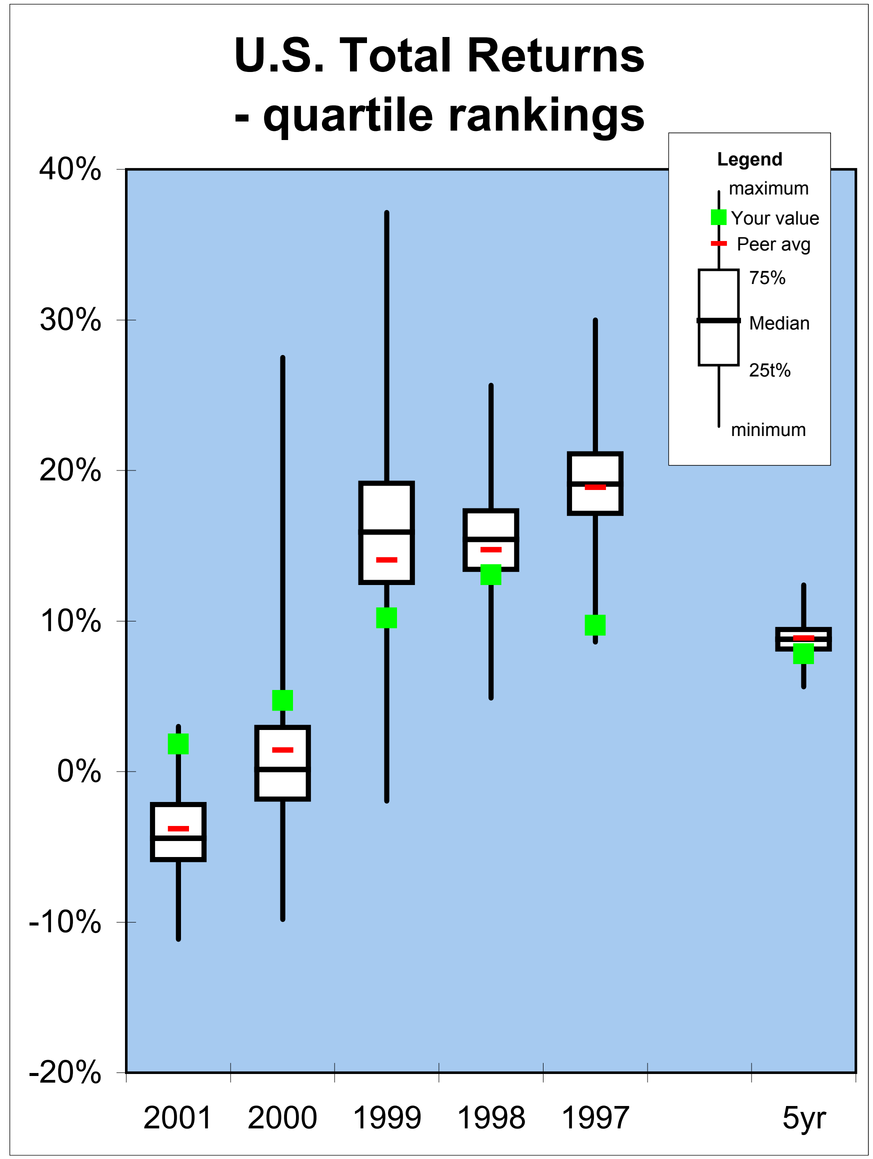
Note that the names of the above fund sponsors in your peer group are confidential and may not be disclosed to third parties, ever. All other information in this report is confidential and may not be disclosed to third parties without the express written mutual consent of both Cost Effectiveness Measurement Inc. and Indiana State Teachers' Retirement Fund.

What gets measured gets managed, so it is critical that you measure and compare the right things:

1. Net Total Value Added	Is the market value of your assets growing faster than the market value of your liabilities?
2. Liability Returns	Pension assets exist to pay pension liabilities. Therefore, you need to understand how your liabilities vary with changes in market forces.
3. Risk	Risk is caused by the mismatch between your assets and your liabilities. How big is the risk? Are you being paid sufficiently for the risk you are taking?
4. Policy Value Added	Are your policy asset mix decisions adding value?
5. Implementation Value Added	Are your implementation decisions (mostly active management) adding value?
6. Costs	Are your costs reasonable? Costs matter and can be managed.

Total Returns, by themselves, are the wrong thing to compare and focus on.

Total Returns, by themselves, do not tell you whether you are doing well or poorly. If your Total Returns are lower than the change in your Liabilities caused by market forces then you are performing poorly regardless of the absolute level of the total return. For example, a 20% total return looks good by itself, but not so good if your liabilities grow by 25%.

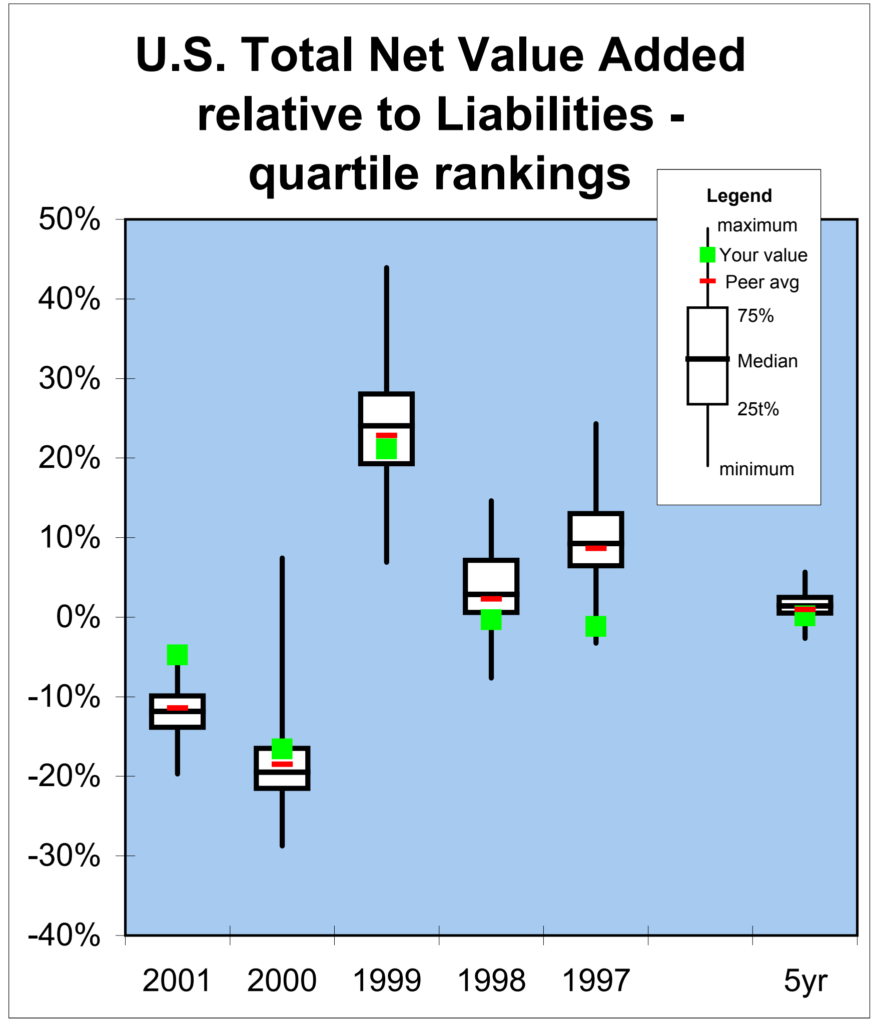


I. Net Total Value Added

A better measure of total performance is Net Total Value Added. It compares your Total Return to the change in your liabilities caused by market forces.

Your 5-year net total value added relative to your liabilities was 0.1% per annum.

Calculation of your 5-yr Net Total Value Added	
	5-year
+ Total Return	7.8%
- Change in Liabilities caused by market factors ("Liability Return")	7.5%
- Costs	0.1%
= Net Total Value Added	0.1%



2. Liability Returns (Neutral Asset Mix)

To measure changes in your liabilities caused by market factors (your "Liability Return"), we start by constructing a neutral asset mix that matches your pension liability profile.

Your Neutral Asset Mix		
	Modified Duration	% of Assets
Inflation Indexed Bonds	10.0	59%
Nominal Bonds	25.1	41%
Total		100%

Note that our calculation of your neutral asset mix and Liability Return uses several simplifying assumptions - refer to Section 5. If you have more precise Liability Return calculations, we would be happy to use them in your analysis.

Your neutral asset mix is constructed using a combination of nominal and inflation indexed bonds and takes into account the sensitivity of your pension liabilities to real and nominal interest rates.

Your neutral asset mix reflects:

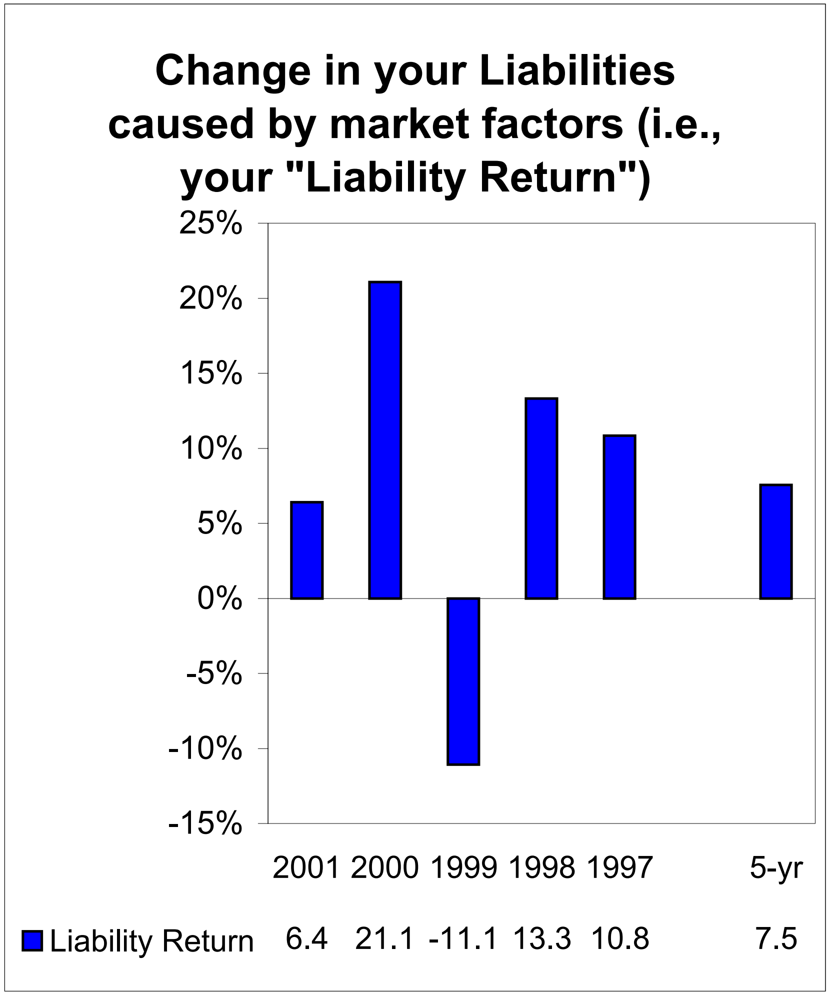
• The proportion of your membership that is active, deferred and retired. Older plans with more retirees have shorter durations than younger plans with more active members.

• Your plan type. Final average plans have more inflation protection for active members than career average and flat benefit plans.

• Your pension promise in terms of post-retirement inflation protection. Your inflation protection for retirees was 0%.

2. Liability Return

Market factors caused your liabilities to increase by 7.5% per annum over the past 5 years.



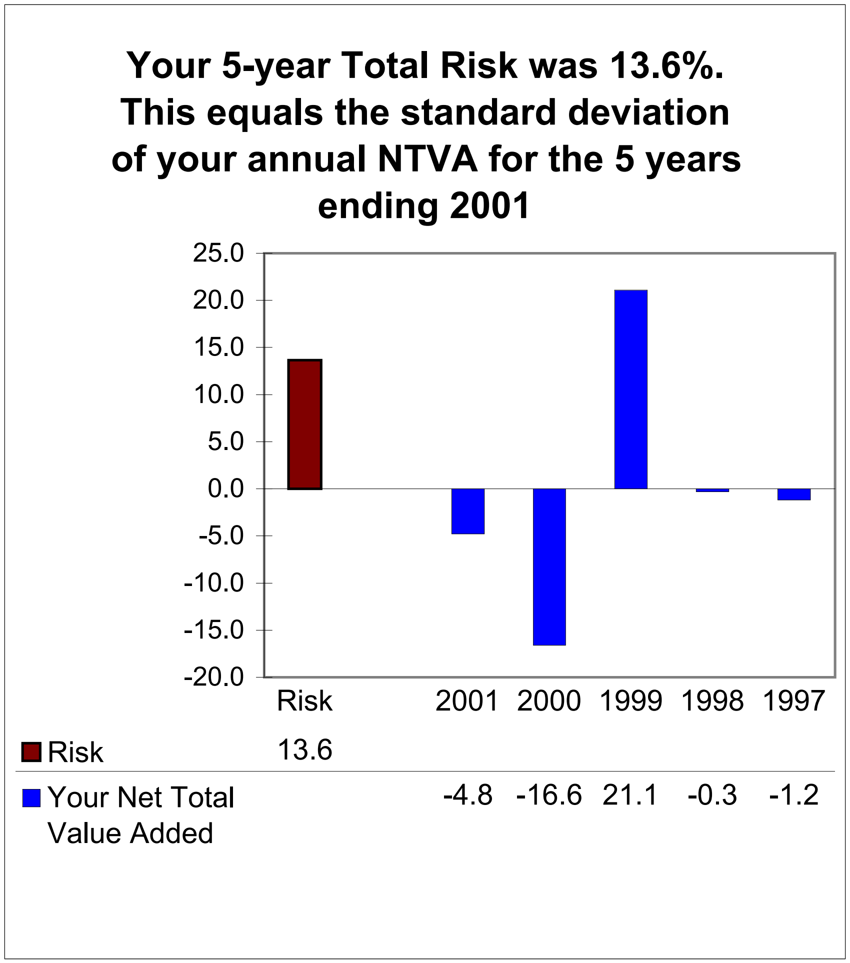
• Your liabilities are much more volatile than the smoothed cost that actuaries provide.

• They change because of inflation and changes in real and nominal interest rates. For example, they increase when real or nominal yield fall because the discounted present value of those liabilities is now larger.

• Liability Returns do not reflect changes in your Liabilities caused by changes in benefits just as Asset Returns do not measure changes in assets caused by contributions. Liability Returns only measure changes caused by market forces.

3. Risk

Risk is created by the mismatch between your assets and your liabilities. This mismatch is caused by both asset mix policy decisions and implementation decisions.



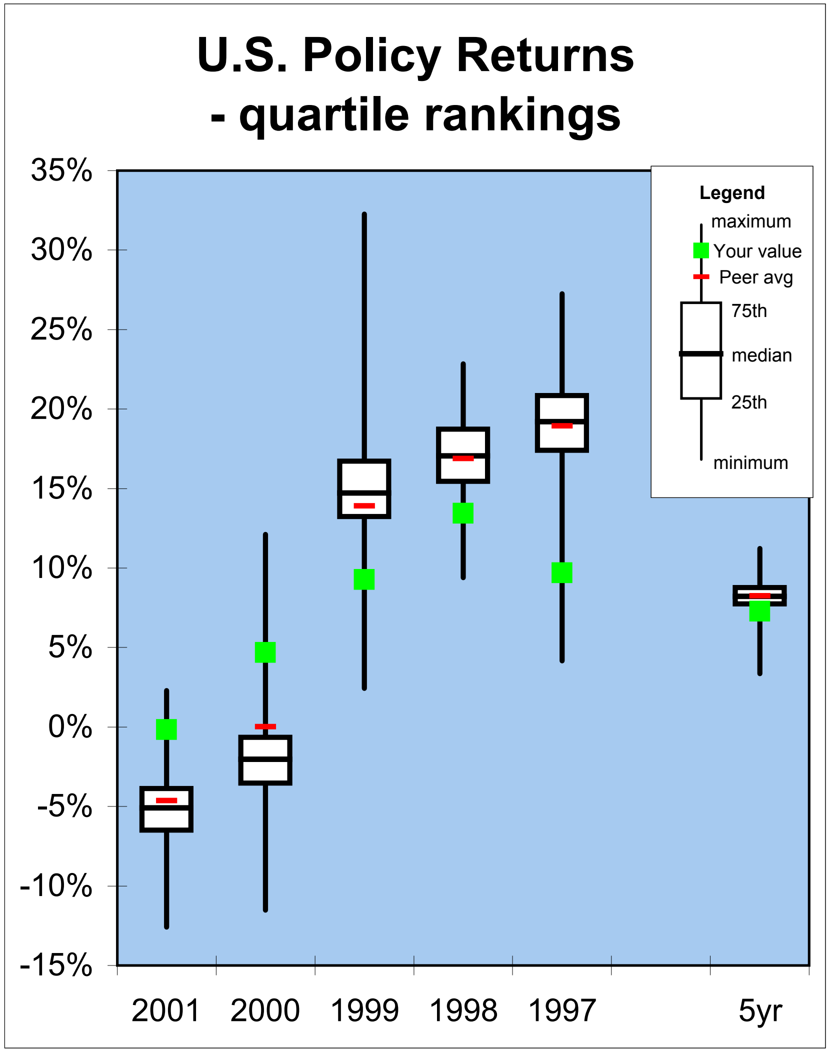
CEM defines "Total Risk" as the standard deviation of your Net Total Value Added (NTVA) relative to your Liabilities. Your Total Risk for the 5-years ending 2001 was 13.6%.

By applying further statistical analysis, your Total Risk can be used to estimate the magnitude of potential losses in 'worst case' scenarios.

In your case, this analysis implies that 1 year in 20 you can expect to lose in excess of 1.65 X 13.6% = 22.5% because of the mismatch between your assets and liabilities. Of course, 1 year in 20 you can also expect to gain in excess of the same amount.

4. Policy Value Added (Policy Returns)

Policy returns show the impact of policy asset mix decisions. Your policy returns have been very volatile relative to the US median.



Your 5-year policy return of 7.3% is below the US median of 8.3%.

Your policy return is the return you could have earned passively by indexing your policy asset mix decision.

Note that having a higher or lower relative policy return is not necessarily good or bad. This is because your policy return reflects your investment policy which in turn should reflect your long term capital market expectations, your liabilities and your appetite for risk. Each of these three factors is different across funds. Therefore, it is not surprising that policy returns are different.

4. Policy Value Added
(5-yr Policy Asset Mix)

Your policy returns have been very different because your policy asset mix has been very different than the US average.

The biggest difference is that you have had more fixed income and less equity. Therefore in years when fixed income performed well relative to equities (such as in 2000 and 2001) your policy return tended to be in the highest quartile. The reverse was true when fixed income performed poorly.

Over five years domestic stock returns have exceeded fixed income returns (i.e. the 5-yr average domestic stock benchmark return was 10.4% compared to the 5-yr average fixed income return of 7.4%). This is the primary reason why your 5-yr policy return was below the US median.

5-year Average Policy Asset Mix

Asset Class	*Your Fund*	*Peer Avg*	*US Avg*
Domestic Stocks	29%	44%	46%
Foreign Stocks	8%	14%	15%
Fixed Income & Cash	58%	37%	32%
Real Estate & REITS	5%	2%	4%
Private Equity	0%	3%	3%
Total	100%	100%	100%

4. Policy Value Added
(2001 Policy Asset Mix)

Your policy mix has changed over the past 5 years. In 1997 it was 100% fixed income. Currently it compares as follows:

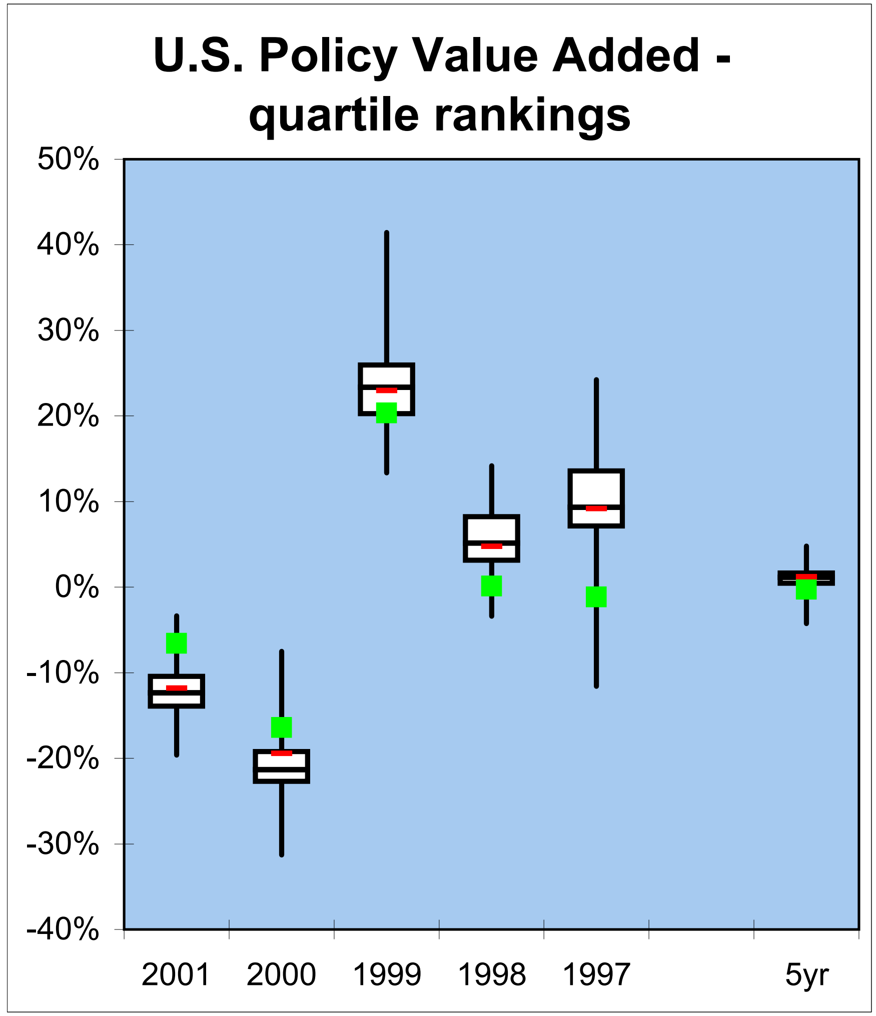
2001 Policy Asset Mix			
Asset Class	***Your Fund***	***Peer Avg***	***US Avg***
Domestic Stocks	36%	46%	46%
Foreign Stocks	10%	15%	16%
Fixed Income	48%	33%	31%
Real Estate & REITS	6%	2%	3%
Private Equity	0%	4%	3%
Total	100%	100%	100%

4. Policy Value Added

Policy value added is the value added from policy asset mix decisions. It equals your policy return minus the return on your neutral liability matching portfolio (i.e. your liability return)

• Your 5-yr average policy value added is -0.3% per annum. In other words, if you had indexed your policy asset mix, your assets would have grown faster than the market value of your liabilities by -0.3% per annum.

Calculation of your 5-yr Policy Value Added	
	5-year
+ Policy Return	7.3%
- Change in Liabilities caused by market factors ("Liability Return")	7.5%
= Policy Value Added	-0.3%



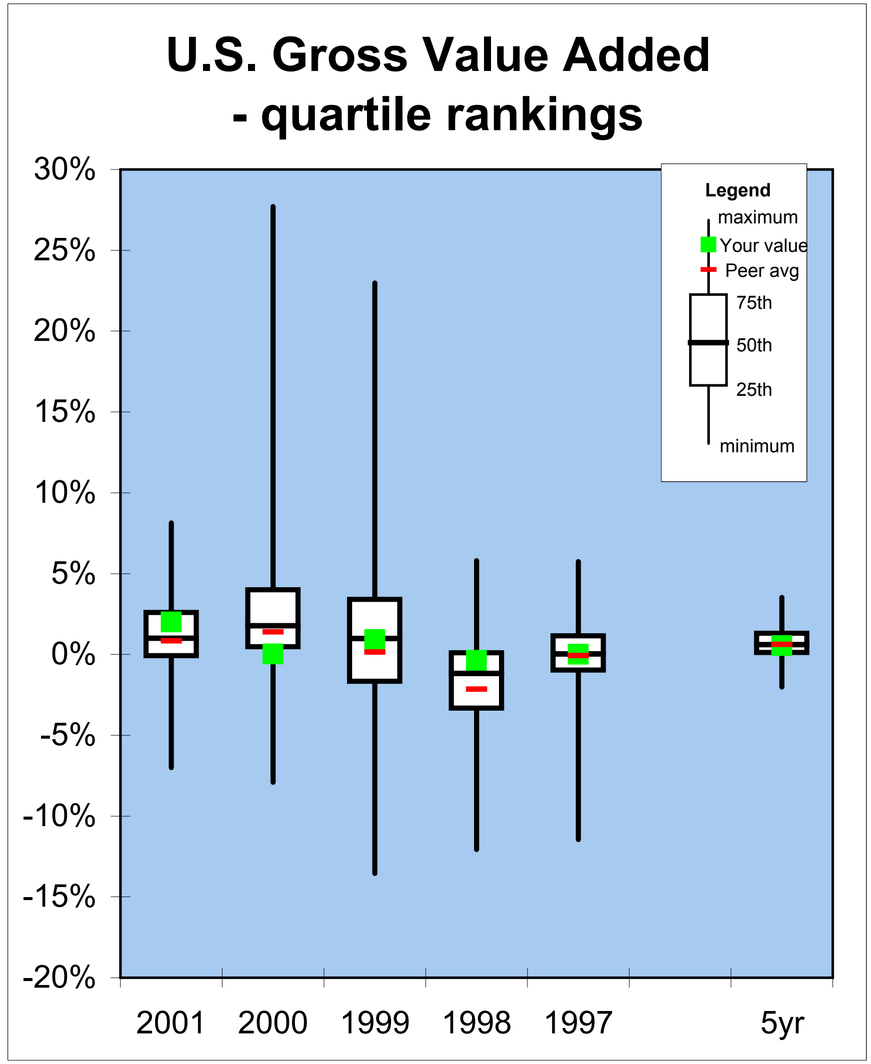
5. Implementation Value Added

Implementation value added measures the contribution from active management. Your 5-yr implementation value added is 0.5% per annum.

• This compares to a US median of 0.6%.

• Your value added from implementation decisions (i.e., mostly active management) equals your total return minus your policy return (i.e., the return you could have earned by passively indexing your policy asset mix).

Year	Actual Return	Policy Return	Value Added Total	In-Category	Mix
2001	1.8%	-0.2%	2.0%	0.6%	1.4%
2000	4.7%	4.7%	0.0%	-0.3%	0.3%
1999	10.2%	9.3%	0.9%	3.2%	-2.3%
1998	13.1%	13.4%	-0.4%	-0.2%	-0.2%
1997	9.7%	9.7%	0.0%	0.0%	0.0%
5yr	7.8%	7.3%	0.5%	0.7%	-0.2%



6. Costs (Total)

Asset mix and implementation decisions impact costs. Your asset management costs (including G&A) in 2001 are $11.2 million or 19.5 basis points.

• CEM collects direct investment costs by major asset classes and 4 different implementation styles.

• Governance and administration includes all costs associated with the oversight and administration of the investment operation, irrespective of whom or how these costs are paid.

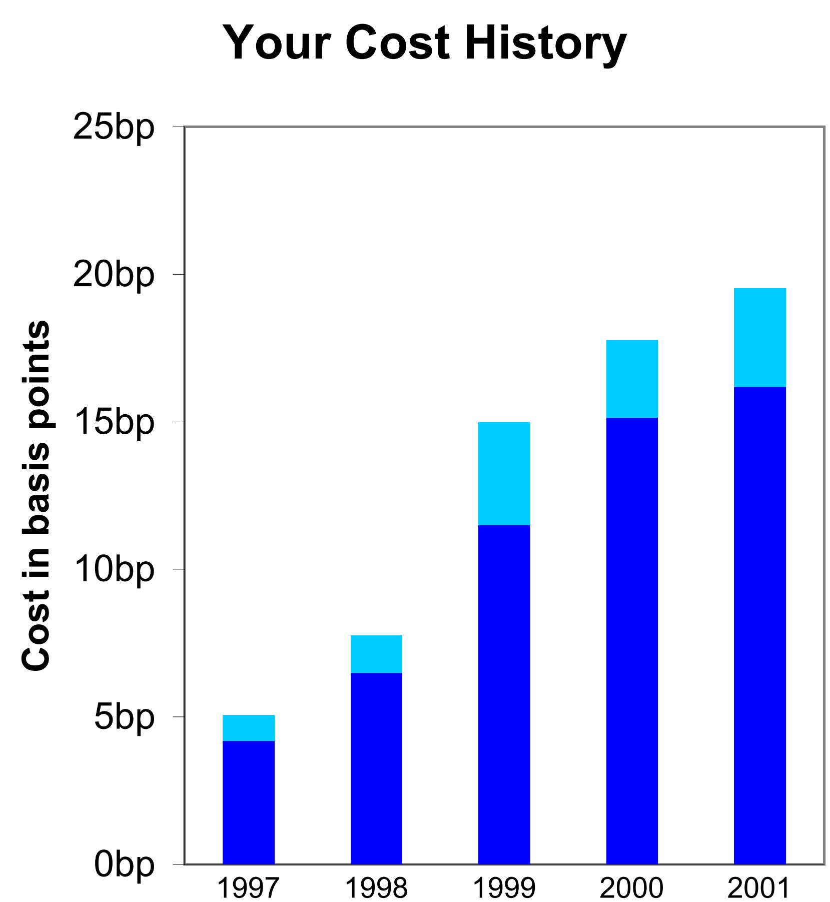
• Note that only asset management and oversight costs are included. Costs pertaining to member servicing are specifically excluded.

Your Direct Investment Management Costs ($000s)	Internal		External		
	Passive	Active	Passive	Active	Total
Domestic Equity - Large Cap			187	1,533	1,720
Domestic Equity - Small Cap				3,706	3,706
Foreign Equity - Developed			130	1,415	1,545
Foreign Equity - Emerging					
Fixed Income - Domestic				2,315	2,315
Fixed Income - Foreign					
Fixed Income - Inflation Indexed					
Fixed Income - Miscellaneous					
Cash & Equivalents					
TAA/Shift					
REITs					
Real Estate					
Hedge & Absolute return					
Venture Capital & LBO					
Other Private Equity					
Overlay Programs					
Total DIM costs				16.2bp	9,286
Your Governance & Administration - asset related ($000s)					
Executive and Admin					130
Custodial					1,017
Consulting and Performance Measurement					215
Audit					28
Other					528
Total G&A costs				3.3bp	1,918
Total Operating Costs in $000s				19.5bp	11,204

6. Costs (History)

Your operating costs have increased each year for the past 5 years.

The increase is not surprising given that you have dramatically changed your asset mix over this period. In 1997 your fund was 100% fixed income. Each year since you have reduced fixed income and increased the allocation to 'higher cost' domestic and foreign stocks.

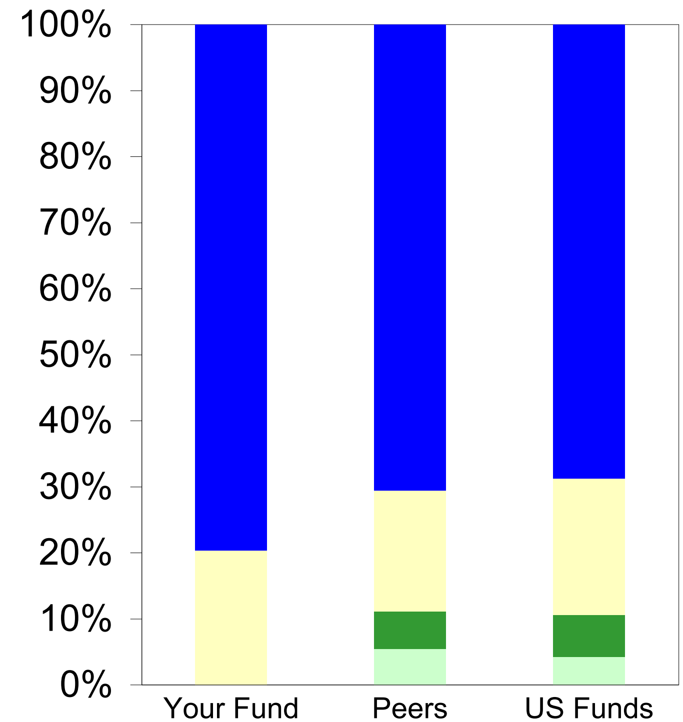


	1997	1998	1999	2000	2001
G&A	0.9bp	1.3bp	3.5bp	2.6bp	3.3bp
Inv. Mgmt	4.2bp	6.5bp	11.5bp	15.1bp	16.2bp
Total Cost	5.1bp	7.8bp	15.0bp	17.8bp	19.5bp

Your implementation style is slightly high cost.

Your fund uses more external active management than your peers (your 80% versus a 71% average for your peers). External active management is usually substantially higher cost than either passive management or internal management so small differences in the proportions of this high cost style can have a large impact on relative cost performance. However in your case the difference is minor. Two-thirds of your external active management is for fixed income where you are paying only 7.4bp. This is very close to passive costs.

Implementation Style

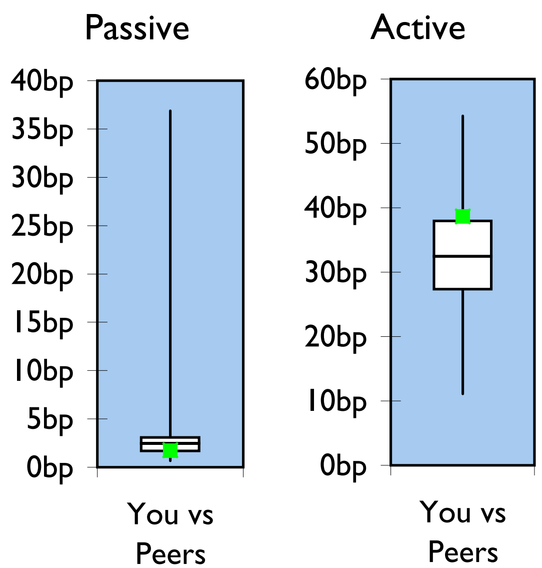


	Your Fund	Peers	US Funds
External active	80%	71%	69%
External passive	20%	18%	21%
Internal active	0%	6%	6%
Internal passive	0%	5%	4%

6. Costs - Are you paying more for similar services?

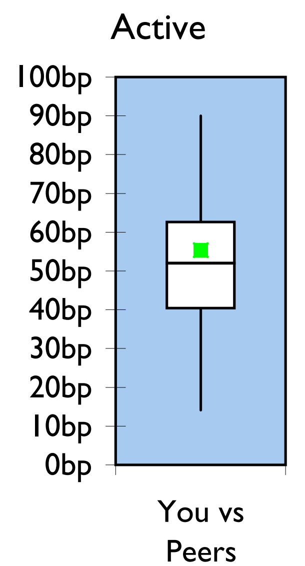
Your direct investment management costs compare to your peers as follows:

Large Cap Stock



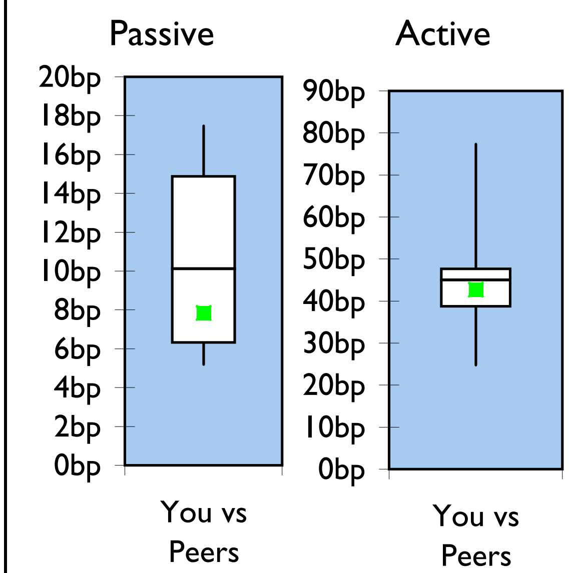
	Passive	Active
Maximum	36.9bp	54.3bp
75th	3.1bp	38.0bp
Median	2.5bp	32.5bp
25th	1.7bp	27.3bp
Minimum	0.7bp	11.1bp
Mean Cost	5.9bp	32.7bp
Count	13	19
Mean Hldgs	$1,128M	$1,418M
avg Mandat	$653M	$235M
Indiana State Teachers' Retirement Fund		
Avg. Hldgs	$1,067M	$397M
avg Mandat	$534M	$40M
Your Cost	1.8bp	38.6bp
Your %	33%	78%

Small Cap Stock



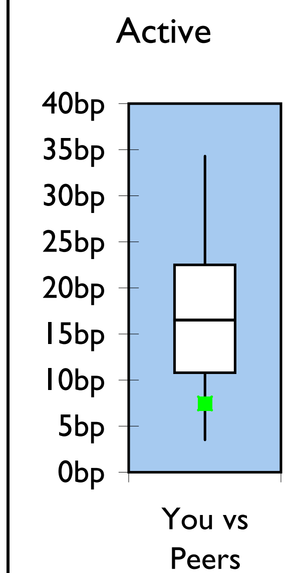
	Active
Maximum	90.0bp
75th	62.6bp
Median	52.0bp
25th	40.4bp
Minimum	14.1bp
Mean Cost	52.6bp
Count	11
Mean Hldgs	$546M
avg Mandat	$159M
Indiana State TRF	
Avg. Hldgs	$669M
avg Mandat	$96M
Your Cost	55.4bp
Your %	60%

Foreign Stock



	Passive	Active
Maximum	17.5bp	77.4bp
75th	14.9bp	47.6bp
Median	10.1bp	45.0bp
25th	6.3bp	38.7bp
Minimum	5.2bp	24.7bp
Mean Cost	10.7bp	44.7bp
Count	6	19
Mean Hldgs	$444M	$682M
avg Mandat	$341M	$232M
Indiana State Teachers' Retirement Fund		
Avg. Hldgs	$166M	$331M
avg Mandat	$166M	$166M
Your Cost	7.8bp	42.7bp
Your %	40%	33%

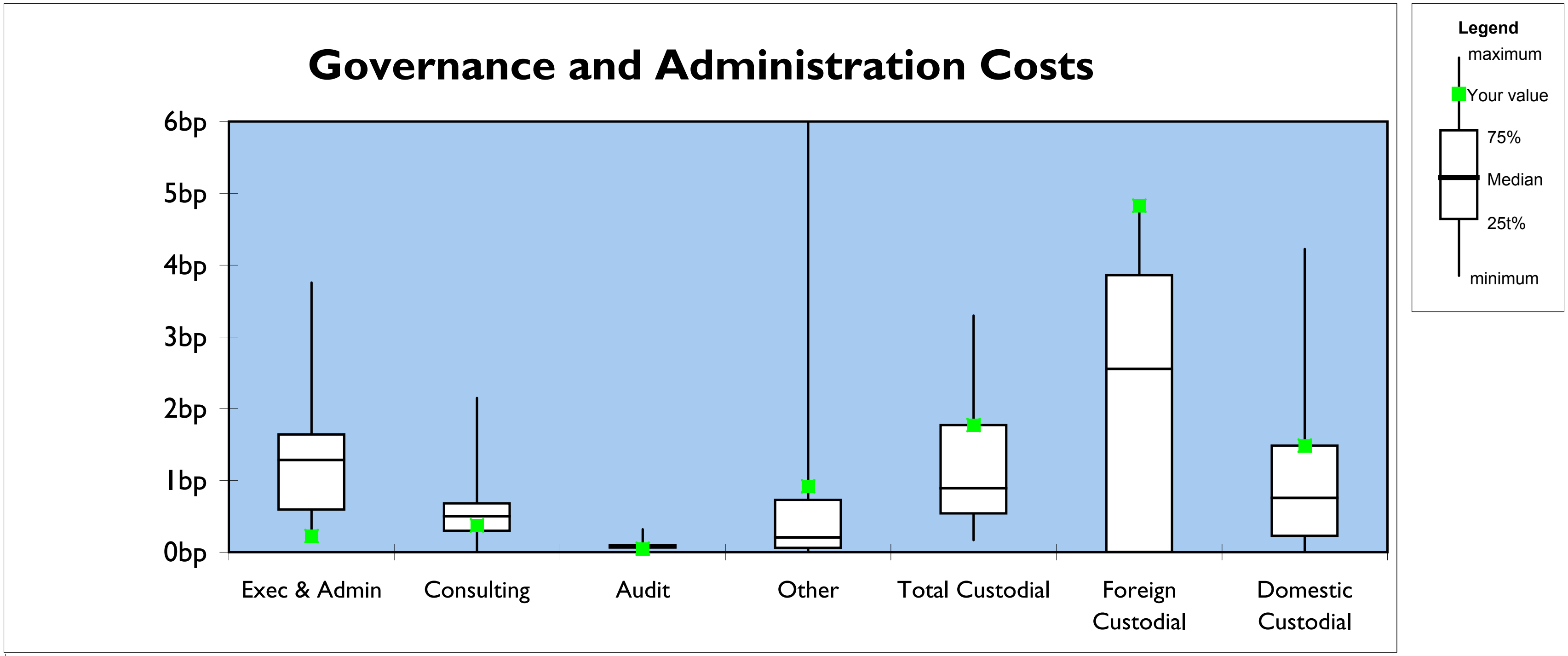
Fixed Income



	Active
Maximum	34.3bp
75th	22.5bp
Median	16.5bp
25th	10.8bp
Minimum	3.5bp
Mean Cost	16.9bp
Count	19
Mean Hldgs	$1,623M
avg Mandat	$411M
Indiana State TRF	
Avg. Hldgs	$3,108M
avg Mandat	$444M
Your Cost	7.4bp
Your %	6%

6. Costs - Are you paying more for similar services?

Your governance and administration costs compare to your peers as follows:



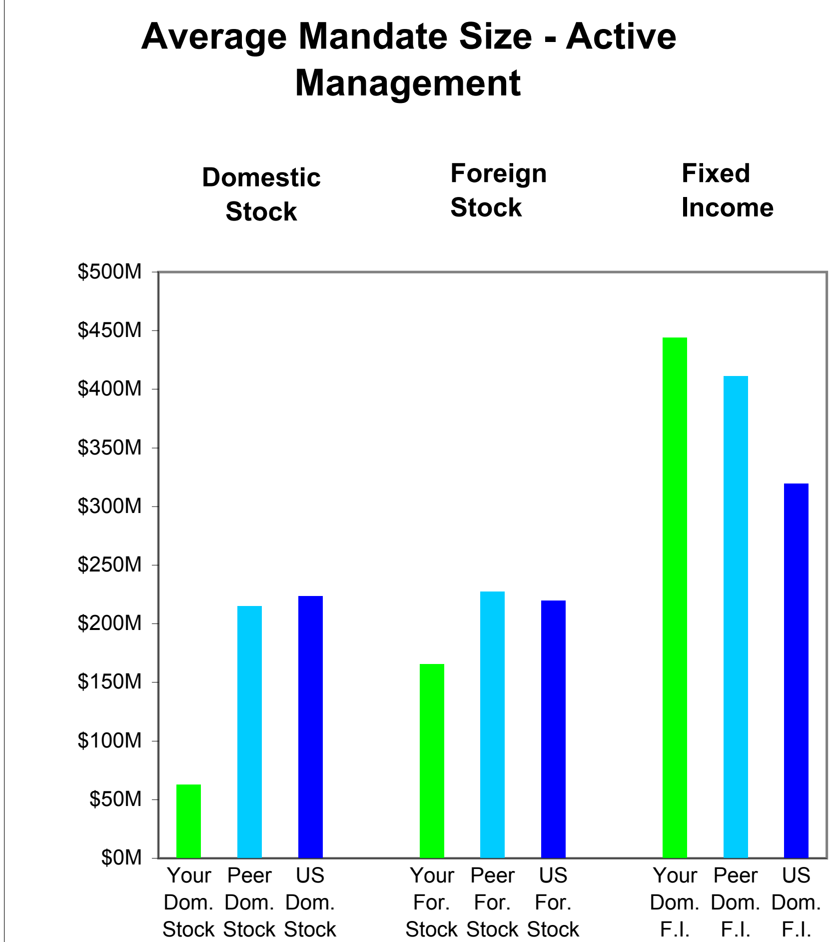
	Exec & Admin	Consulting	Audit	Other	Total Custodial	Foreign Custodial	Domestic Custodial
Maximum	3.8bp	2.1bp	0.3bp	8.2bp	3.3bp	4.8bp	4.2bp
75th	1.6bp	0.7bp	0.1bp	0.7bp	1.8bp	3.9bp	1.5bp
Median	1.3bp	0.5bp	0.1bp	0.2bp	0.9bp	2.5bp	0.8bp
25th	0.6bp	0.3bp	0.1bp	0.1bp	0.5bp	0.0bp	0.2bp
Minimum	0.2bp	0.0bp	0.0bp	0.0bp	0.2bp	0.0bp	0.0bp
Mean Cost	1.3bp	0.6bp	0.1bp	1.0bp	1.3bp	2.4bp	1.0bp
Count	21	18	20	15	21	9	13
Mean Hldgs	$5,875M	$5,875M	$5,875M	$5,875M	$5,875M	$2,042M	$8,077M
Indiana State Teachers' Retirement Fund							
Avg. Hldgs	$5,738M	$5,738M	$5,738M	$5,738M	$5,738M	$497M	$5,241M
Your Cost	0.2bp	0.4bp	0.0bp	0.9bp	1.8bp	4.8bp	1.5bp
Your %	0%	35%	21%	86%	75%	100%	75%

6. Costs -
Do you have smaller mandates?

The size of your external domestic stock mandates is less than one-half of your peers.

• The size of your domestic stock mandates could be one reason why you are paying slightly more than your peers for this asset category.

• Declining asset based fee schedules help funds that give external managers larger portfolios to sometimes achieve better cost performance. The impact is usually subtle.



	Your Dom. Stock	Peer Dom. Stock	US Dom. Stock	Your For. Stock	Peer For. Stock	US For. Stock	Your Dom. F.I.	Peer Dom. F.I.	US Dom. F.I.
Avg. Mandate	$63M	$215	$223	$166	$228	$220	$444	$411	$320
Avg # Mgrs	17	8	8	2	4	5	7	4	4
Max # Mgrs		17	100		10	26		8	36
Min # Mgrs		1	1		1	1		1	1

In summary:

1. Net Total Value Added

Your asset returns exceeded your liability returns by 0.1% per annum over the past 5 years.

2. Liability Returns

Changes in real and nominal interest rates caused your liabilities to grow by 7.5% per annum over the past 5 years.

3. Risk

Your risk of 13.6% is lower than the US average of 17.8%.

4. Policy Value Added

Your 5-year value added from policy asset mix decisions is -0.3% per annum.

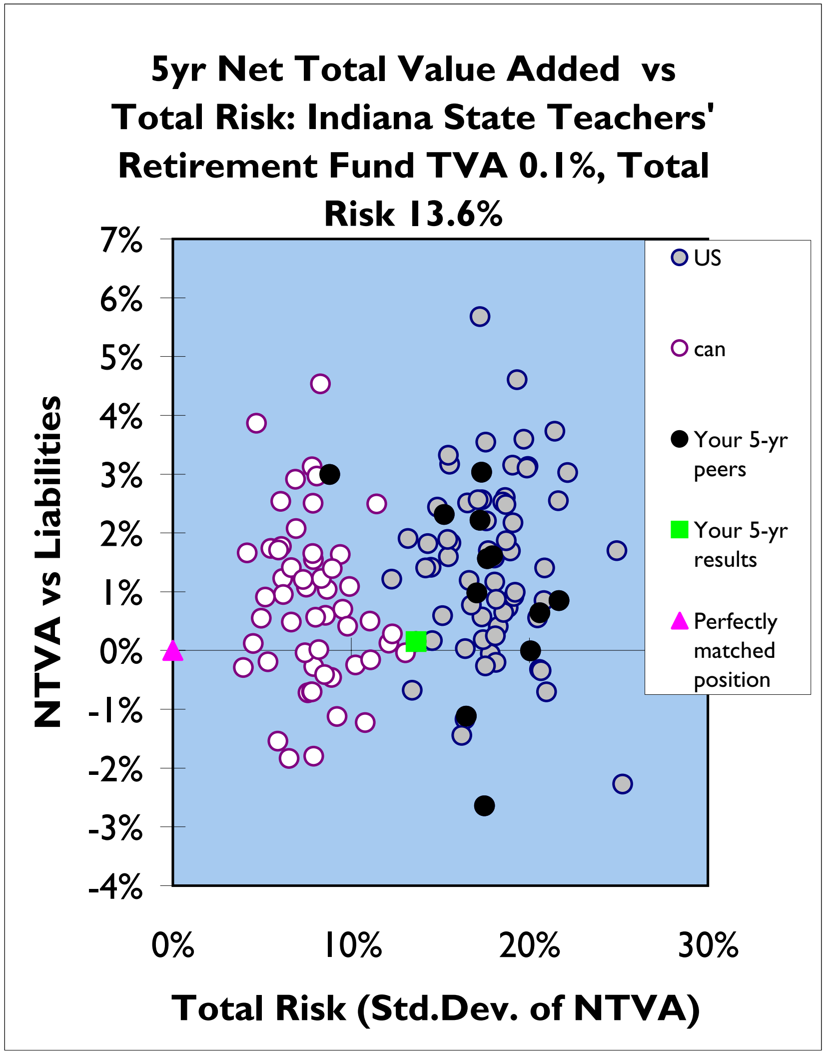
5. Implementation Value Added

Your 5-year value added from implementation (i.e. mostly active management) is 0.5% per annum.

6. Costs

Your costs are generally close to or below the median of your peers.

All 6 key measures of performance are captured in the Net Total Value Added versus Risk graph below.



Your reward to risk ratio of 0.01 compares to an average US ratio of 0.08. Your reward to risk ratio is determined by dividing your 5-year net total value added of 0.1% by your Total Risk of 13.6%.

Independent Fiduciary Services, Inc.

Report to the Indiana State Teachers Retirement Fund

Regarding Aspects of the Fund's Investment Program & Practices

March 26, 2002

Independent Fiduciary Services' Report Regarding Aspects of the Investment Program & Practices of the Indiana State Teachers Retirement Fund

I. EXECUTIVE SUMMARY

This section of our Report summarizes the key findings and recommendations of our evaluation across the six major task areas set forth in the scope of work: Organizational structure and resources; risk management and reporting; accounting and internal controls; the custodian; fiduciary liability insurance; and disaster preparedness.

Purpose

Our report is the result of the Board's decision to assess its current position, plan for the future and upgrade its policies, procedures and resources. Teachers Retirement Fund's ("TRF") new stature as a separate 'body politic' pursuant to the statutory amendments IC 5-10.2-2-1, effective July 1, 2001, has placed "front and center" a whole host of critical issues involving investments, internal governance and operations for the Board to address and resolve. The Board retained Independent Fiduciary Services, Inc. to facilitate its ability to strategically focus on its evolving structure by evaluating current operations and either affirming current practices or recommending reasonable alternative approaches.

Results in Brief

With the exception of one significant area, TRF should be able to successfully adopt and implement our recommendations using a mix of current resources and resources to be acquired. The significant exception is the enabling legislation needed for the Fund to hire a top-tier global custodian based out-of-state.

We encourage readers of our Report to examine the detailed discussion narrative section that follows this summary section.

- **Governance**

TRF would benefit from a clear, consolidated, written governance policy. Accordingly, a clear, written articulation of the TRF's applicable decision-making and governance process is critical. Our report describes and elaborates on seven essential components of such a written governance process, including: Bylaws; resolutions and minutes; a governance policy statement; an education policy for Trustees; a refined ethics policy; and consideration of additional committees of the Board.

- **Compensation**

Salaries in the public pension sector across the United States – both for funds that use exclusively external management as well as those that use internal management – have started to significantly improve. However, the TRF investment staff compensation levels appear to significantly lag peer pension funds. As a result of non-competitive compensation, TRF's ability to attract and retain qualified investment staff is impaired and its governance risk is heightened.

- **Investment Department Staffing**

Currently, the time and focus of the CIO is centered on many ministerial or basic tasks (e.g., developing spreadsheets, manually checking monthly compliance, etc.) necessary for the daily operations of the Fund. This prevents him from having the time to address larger, more judgmental investment matters, e.g., manager structure, more intensive and qualitative evaluation of investment manager performance, capital markets research, etc. TRF should hire an Assistant CIO or at least another full time investment staff person to handle the manual processes the CIO presently performs.

- **Resources**

The two primary subjects on which TRF focuses in the day-to-day operations of the investment department are performance measurement and manager compliance monitoring. Secondary to these are reporting and decision-making based on the results of performance and compliance. The two primary subjects are dictated by TRF's current investment management preference for 100% external management. If TRF were to change to a mix of external and internal management, its primary focuses would also change to include portfolio management and internal compliance monitoring. If TRF is successful at changing state law to allow it to hire an out-of-state custodian, as we have recommended, we believe that a top-tier global custodian could meet TRF's needs for aggregated performance measurement and compliance monitoring. Since we do not know whether TRF will succeed at this, our recommendations regarding the investment department's resources are designed to strengthen and improve its resources in the *current* environment (i.e., while using a local custody bank).

- **Measurement of Investment Performance**

Reliable and complete data is not available from the custodian to enable the Chief Investment Officer (or anyone) to independently calculate AIMR-compliant investment performance for each manager or the total Fund Even though data in the form of report files is now available on line from the custodian, valuation/pricing of certain instruments is especially problematic for the custodian (e.g., futures), and thus, variances between returns supplied by managers using such instruments and the CIO often need further investigation.

- **Manager Evaluation**

At this time, the CIO's ability to meet with investment managers, either in Indianapolis or especially on site, is quite limited. Given the large number of investment managers (28), which are also geographically quite diverse, and the fact that the CIO is the only investment staff member with the responsibility to monitor the managers, it is logistically impossible for all of the investment managers to be visited on a regular basis. TRF's investment consultant should meet periodically with the Fund's investment managers, as a "last resort" until additional investment staff can be hired who can assist with manager meetings/visits.

- **Monitoring Brokerage and Soft Dollars**

TRF should hire a transaction cost analysis firm to measure and evaluate the nature and quality of the various investment managers' trading and execution. Additionally, TRF should impose a contractual obligation on managers to report brokerage and trading practices according to a standardized format. Regarding the many soft dollar issues we discuss below, TRF should develop written policies and procedures. In order to do so, however, we believe that the CIO, assisted by the fund's investment consultant, should provide information to the Board of Trustees regarding the various possibilities and thus, enable the Board to reach educated conclusions.

- **Private Equity Investing**

As the Fund readies to embark in the choppy waters of private equity investing, it should develop clear policies and procedures for determining who decides on alternatives investments, based on what criteria and according to what process. This should also help deal with the potentially problematic issue of investing in Indiana. Based on our reading of the Board's proposed policy and procedure document prepared by its investment consultant, we recommend that the Board consider several revisions to the draft policy.

- **Short-term Portfolio Management**

The custodian's fee to manage the Money Market Fund is 18 basis points on the average monthly balance in the account. Fees for the fiscal year ended June 30, 2001 were $544,000.

We observed several points from the latest available MMF statement and the latest investment consultant report: there are only ten investment positions in the account; a large percentage of the MMF is invested in two repurchase agreements; and there is not an established benchmark for this portfolio. However, compared to the 90 day T-bill rate the MMF underperformed by 15 bps for the quarter and by 14 bps for the year. Additionally, we believe the fee for these services is very high when compared to a comparable bank (and on smaller balances).

We think the Fund should bring the MMF management in house to save approximately $500,000 per year from reduced fees and increased returns (net of salary for a part-time short-term manager and cost of any necessary new hardware, software and data feeds). An alternative would be to seek a fee reduction from the custodian or transfer the funds to another MMF with lower fees, including possibly one of the existing TRF bond managers.

- **Global Custody**

Currently, the Indiana Code requires that TRF hire an Indiana bank for its custodian. We believe that this restriction unnecessarily limits and curtails TRF from properly exercising its role as manager of the Fund. To our knowledge there are no banks operating in Indiana that compare favorably to the top-tier global custody banks. For example, it is unlikely that the local bank could provide several essential services that TRF needs to efficiently and effectively expand its investment program.

As a major mid-western public pension system investing globally, TRF should be able to select and use the services of a top-tier global custodian. TRF not only competes for investment returns against various benchmarks, it also competes against its peers for overall performance. We believe that the use of a top-tier global custodian will improve the efficiency and effectiveness of TRF's investment program, thus improving its ability to compete on both of these fronts.

- **T+1 Readiness**

Domestic equity trades currently settle (securities and cash is exchanged) three business days following trade date. Prior to the September 11 attacks, the industry was scheduled to standardize on settling domestic equity trades *one* day after trade date (T+1) in June of 2004. Since the attacks, the scheduled cutover has been postponed by one year to 2005. However, the process already set in motion will likely continue with the end result that many key players will still be ready by 2004.

TRF needs to make sure any external entity it does business with is addressing its processes in preparing for T+1. TRF should waste no time in implementing a program to address the impact of T+1 on its investment program, including the investment managers' state of readiness. We have provided a suggested general approach to take.

- **Fiduciary Liability Insurance**

In deciding whether to obtain fiduciary liability insurance, the Board of Trustees may wish to consider several particular factors, in addition to those general considerations discussed in our Report. One factor arguing against purchasing this coverage is the Board's considerable statutory freedom to select legal counsel. Another factor is that at least from the personal standpoint of individual Trustees, the risk of personal liability appears quite limited.

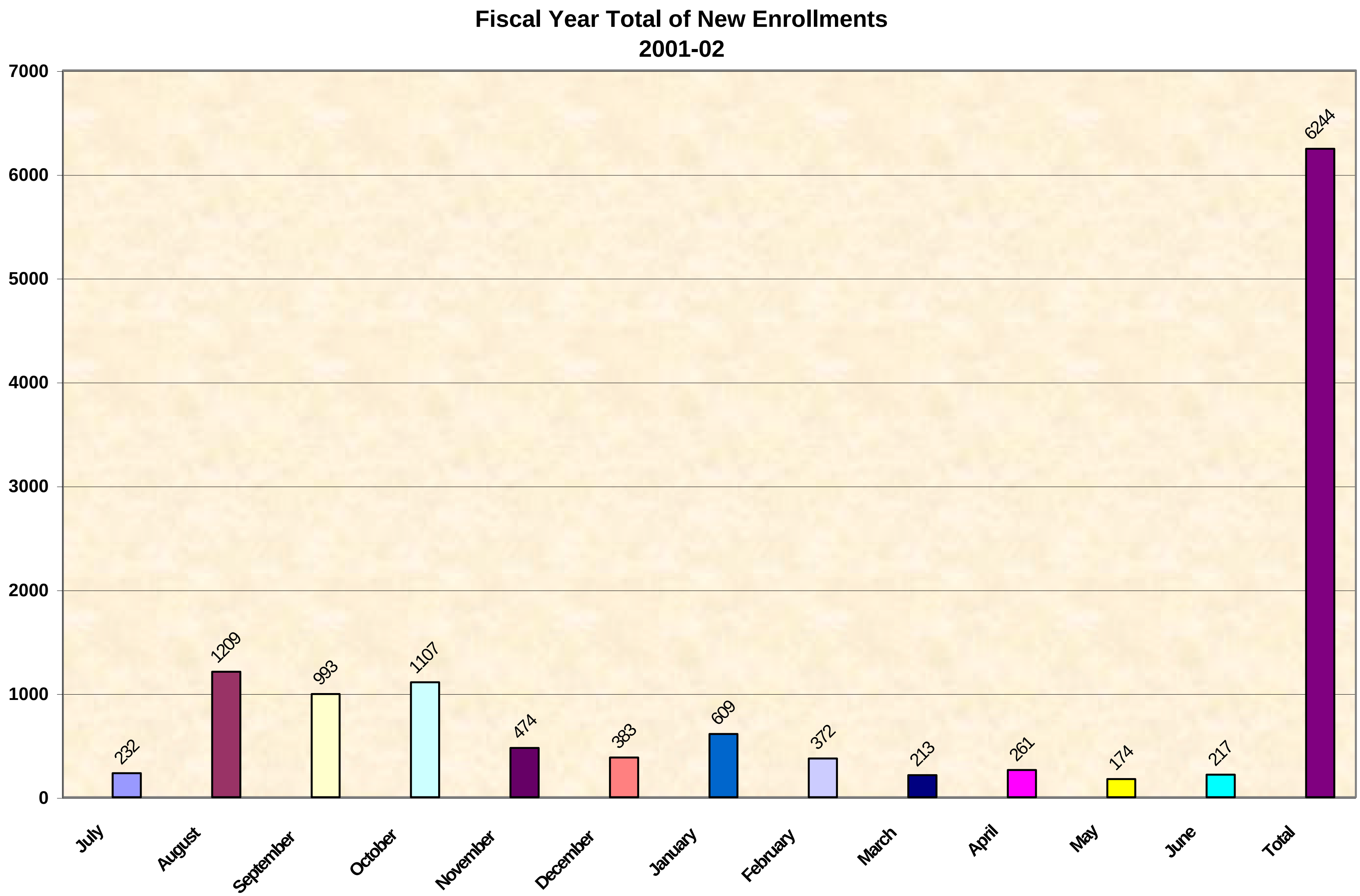
On the other hand, several factors argue in favor of purchasing fiduciary insurance. First, the Trustees and staff do face some limited personal exposure for losses resulting from their breaches. Second, establishment of the private equity and real estate programs is likely to bring additional types of risk into the Fund's investment program, and thus, additional types of fiduciary exposure. Finally, the 2000 statutory amendments more clearly suggest that responsibility for the overall investment program now resides with the Board.

We cannot predict exactly what coverage the marketplace for insurance would provide the TRF at various premium levels. However, based on considerations set forth in our Report, we believe that worthwhile insurance coverage might be obtainable at reasonable cost and thus, that the Fund should at least explore the possibility.

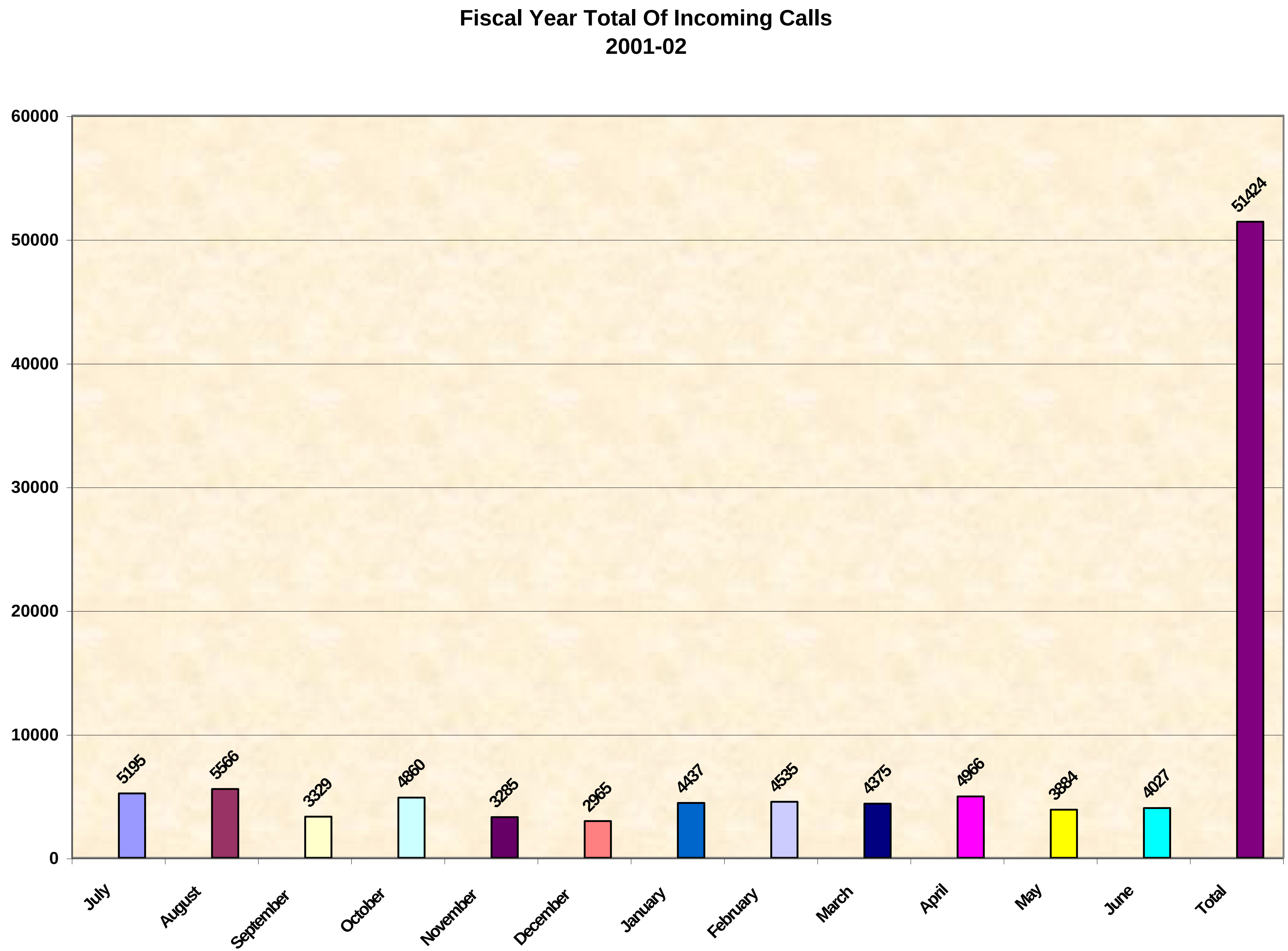
- **Disaster Preparedness**

Disaster preparedness is an issue that TRF's management has placed at a top priority by reason of inclusion in our review. TRF's investment management and maintenance of benefit data is driven by, and reliant upon, sophisticated computer systems and databases. The possibility of disaster is an essential reality that TRF must be ready to handle. Our report discusses the detailed objectives of a Disaster Preparedness Plan and makes recommendations thereon.

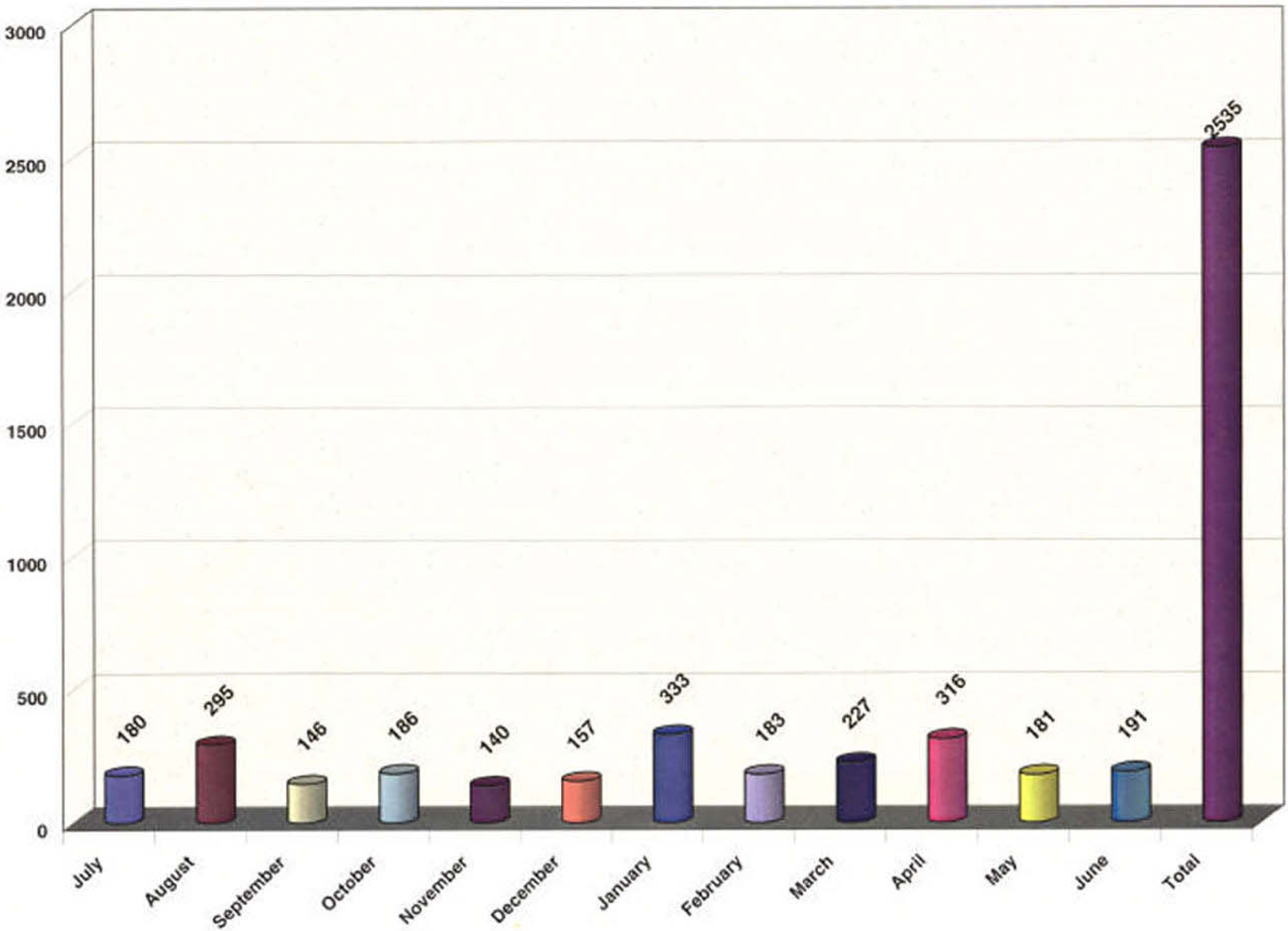
Statistical



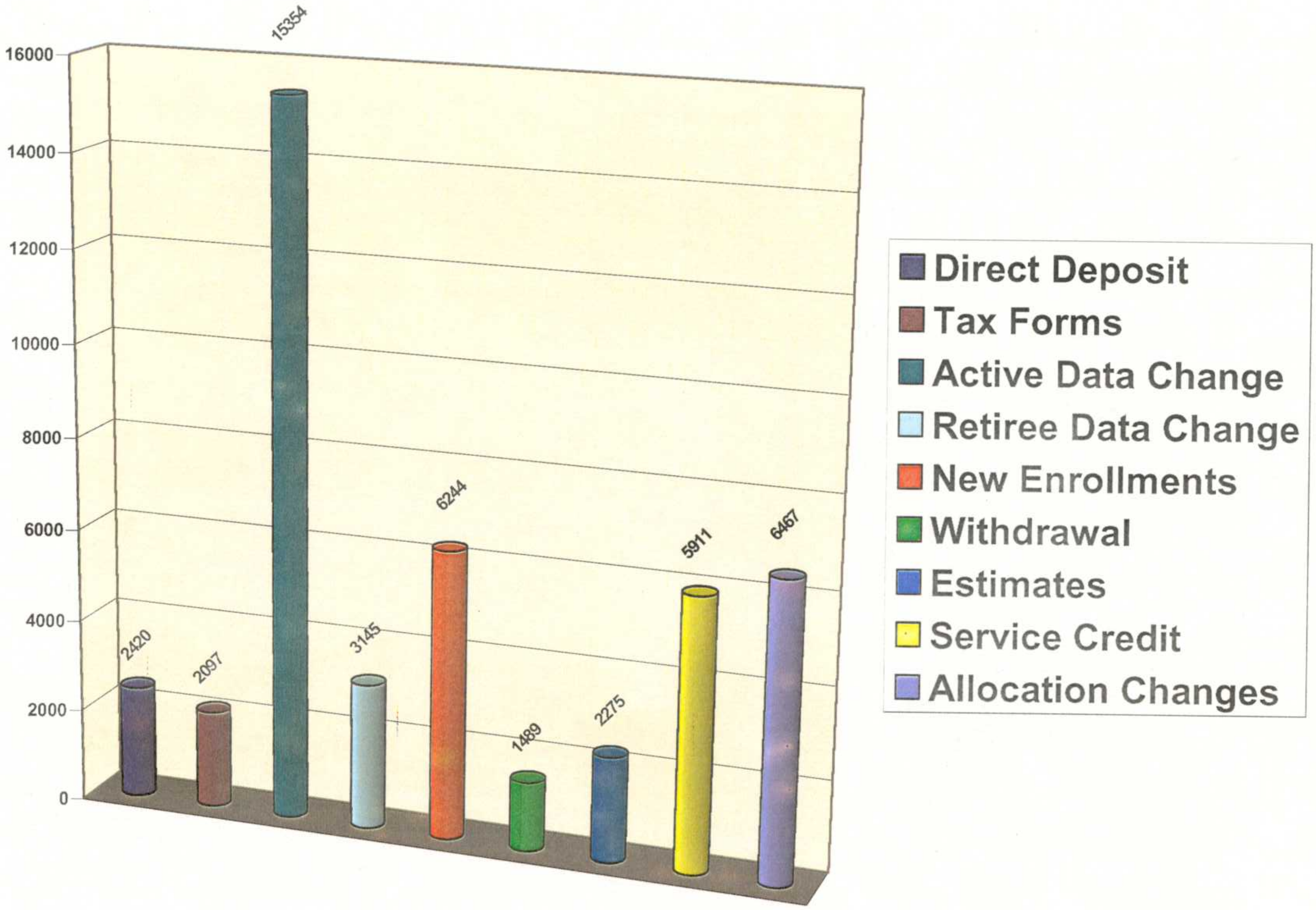
Fiscal Year Total of New Enrollments
2001-02
7000
6000
5000
4000
3000
2000
1000
0
232
1209
993
1107
474
383
609
372
213
261
174
217
6244
July
August
September
October
November
December
January
February
March
April
May
June
Total


Fiscal Year Total Of Incoming Calls
2001-02
60000
50000
40000
30000
20000
10000
0
5195
5566
3329
4860
3285
2965
4437
4535
4375
4966
3884
4027
51424
July
August
September
October
November
December
January
February
March
April
May
June
Total

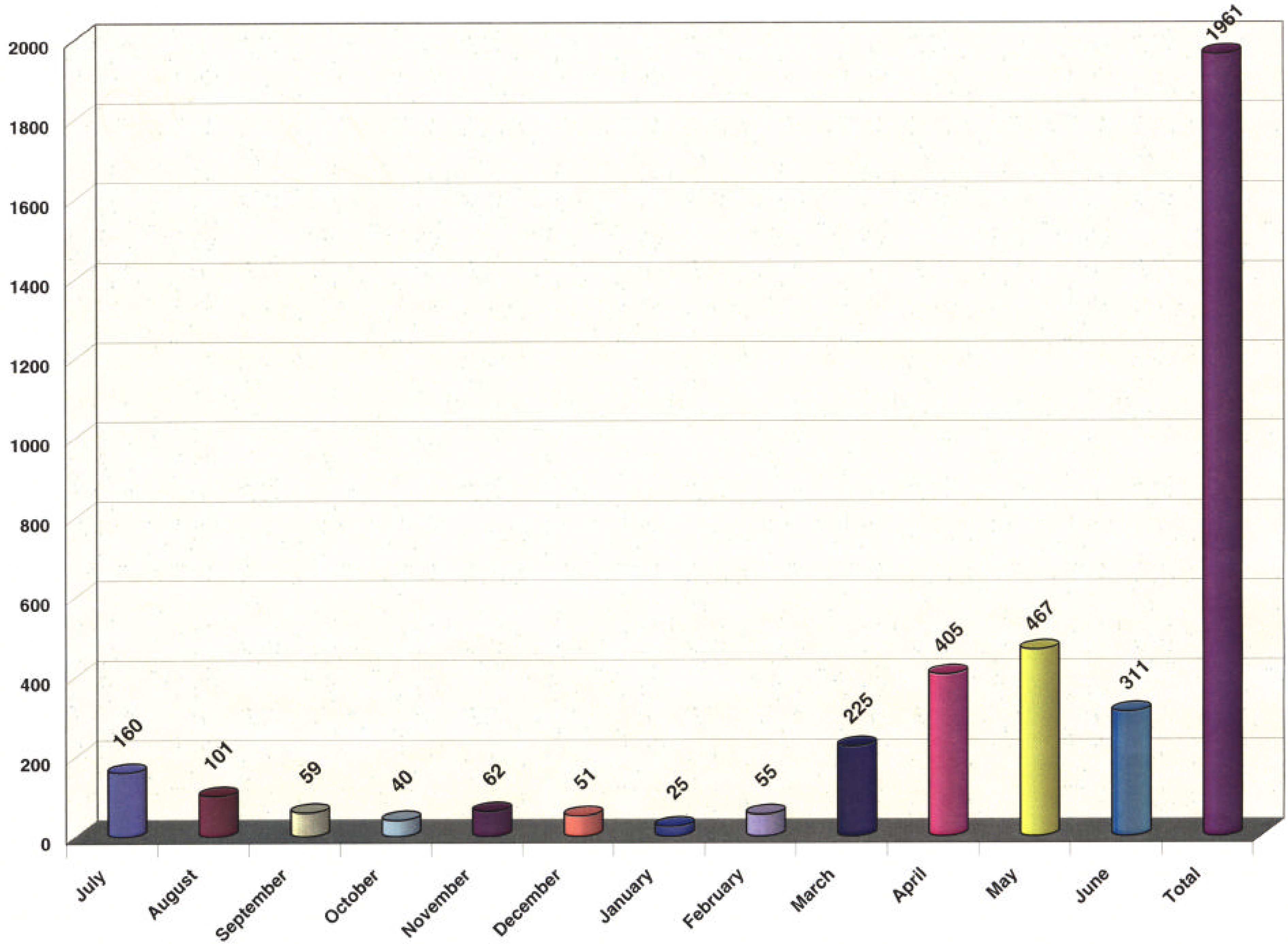
Fiscal Year Total of E-mails Received
2001-02



Fiscal Year Tracking of Incoming Form Requests
2001-02



Fiscal Year Outline of Incoming Retirement Applications
2001-02



Benchmarks

Benefit Administration Benchmarking Analysis

April 11, 2002

Indiana State Teachers Retirement Fund

Prepared April 11, 2002 by:

COST EFFECTIVENESS MEASUREMENT INC.

350 Bay St., Suite 800, Toronto, ON M5H 2S6
Tel: 416-369-0568   Fax: 416-369-0879
www.costeffectiveness.com

49 leading international pension systems participate in CEM's Benefit Administration Benchmarking Service.

2001 Participants

United States (30 systems)
Alaska
Arizona
CalPERS
CalSTRS
Colorado PERA
Idaho PERS
Illinois MRF
Indiana PERF
Indiana STRF
Kansas PERS
Los Angeles County ERA
Louisiana State ERS
Massachusetts Teachers' RS
Michigan MERS
Michigan ORS
Missouri State ERS
New Jersey DP&B
New York City Teachers' RS
New York State & Local
North Carolina
Ohio PERS
Ohio Police & Fire
Ohio SERS
Oregon PERS
South Carolina
STRS Ohio
Texas MRS
Virginia
Washington State DRS
Wisconsin

Canada (6 systems)
Defense Canada
HOOPP
Local Authorities Pension Plan
Ontario Municipal ERS
Ontario Teachers
Public Works & Government Service Canada

Australia (5 systems)
Western Australia GESB
ComSuper
GSO Victoria
Pillar Administration
QSuper

The Netherlands (Dutch data is excluded from this analysis)
ABP
Bpf Bouw
BPMT/ MN Services
PGGM
PMI
PVF met 1 fonds
SFS
Shell Pensioenfonds Beheer BV

The most relevant comparisons are to systems that are similar to you. Your peer group is comprised of the US systems only.

Peer group for Indiana State TRF	Membership in 000s	Assets $BNs
Alaska	84	13
Arizona SRS	350	22
CalPERS	1,292	156
CalSTRS	685	103
Colorado PERA	303	31
Idaho PERS	104	7
Illinois MRF	319	16
Indiana PERF	337	12
Indiana State TRF	138	6
KPERS	232	10
LACERA	138	28
LASERS	128	6
Massachusetts TRS	129	15
Michigan MERS	58	4
Michigan ORS	545	53
MOSERS	170	6
New Jersey DP&B	666	72
North Carolina RS	622	59
NYC TRS	154	41
NYSLRS	925	114
Ohio P&F	51	9
Ohio PERS	751	57
Ohio SERS	331	9
Oregon PERS	294	37
South Carolina RS	434	21
STRS Ohio	417	53
Texas MRS	129	8
Virginia RS	490	37
Washington State DRS	508	45
Wisconsin	483	70
Average	**376**	**$37**

How some of your peers use this analysis:

1. **Contestability**
   Systems use our analysis to evaluate and demonstrate their performance in the absence of competition.

2. **Defining Service Standards**
   Knowing how others were performing made it easier for one system to develop new service standards.

3. **Insights into Best Practices**
   Our evaluation of communication material has identified several best practices that participants have used to improve their material.

4. **Monitoring Performance over time vis-à-vis a Strategic Plan**

5. **Helps set priorities by demonstrating tradeoffs**
   For example, higher member service is higher cost.

6. **Identifying Areas Needing Improvement**

7. **Strategic Communication Tool**
   Our analysis has been used in presentations to Boards and Budget Committees.

8. **Improved Understanding of your Business**
   Knowing how and why you are different than your peers helps you better understand your business. The better you understand your business the better your decision-making process will be.

How we think you should use this analysis:

"The better you understand your business the better your decision-making process will be"

In this context, you should:

1. Focus primarily on understanding how and why you are different.

2. Use our measures of Service, Quality and Complexity to help you think about what matters most to your members and what causes the greatest complexity in your system. Remember that what matters most to your members is not necessarily what matters most to another system. Remember also that our measures continue to be a work in progress. We welcome your input.

The focus of the analysis is on understanding and quantifying how the following 7 factors drive costs.

What you do for your members?

1. Activities Performed

2. Service Levels

3. Quality

What are your constraints?

4. Plan Complexity

5. Volumes
   a. Economies of scale
   b. Relative Workloads

6. Cost Environment

7. Systems

Administrative Costs per Member

The heart of the analysis compares your costs, volumes, workloads and service levels to your peers for the following 15 administrative activities:

Comparable Activities:

1. Paying Pensions
2. Pension Inceptions
3. Pension Estimates
4. Counseling
5. Member Telephone Calls
6. Communication
7. Collections & Data
8. Refunds/ Terminating Payments
9. Purchases
10. Disability Pensions
11. Financial Control & Governance
12. Plan Policy & Design
13. Marketing

Non-Comparable activities due to widely varying nature:

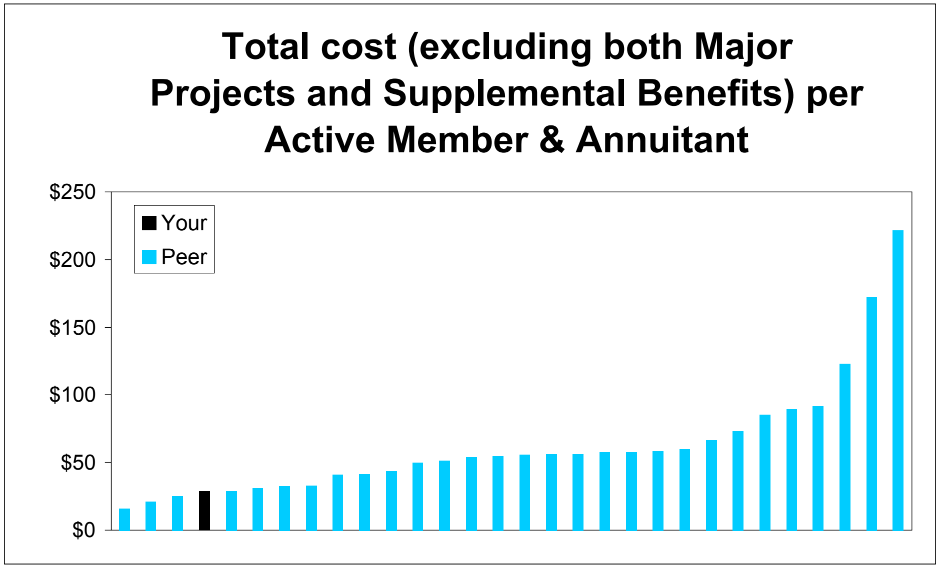
14. Supplemental Benefits
15. Major Projects

We start with your total administrative costs of $6.5M. You attributed these costs to the 15 activities as follows:

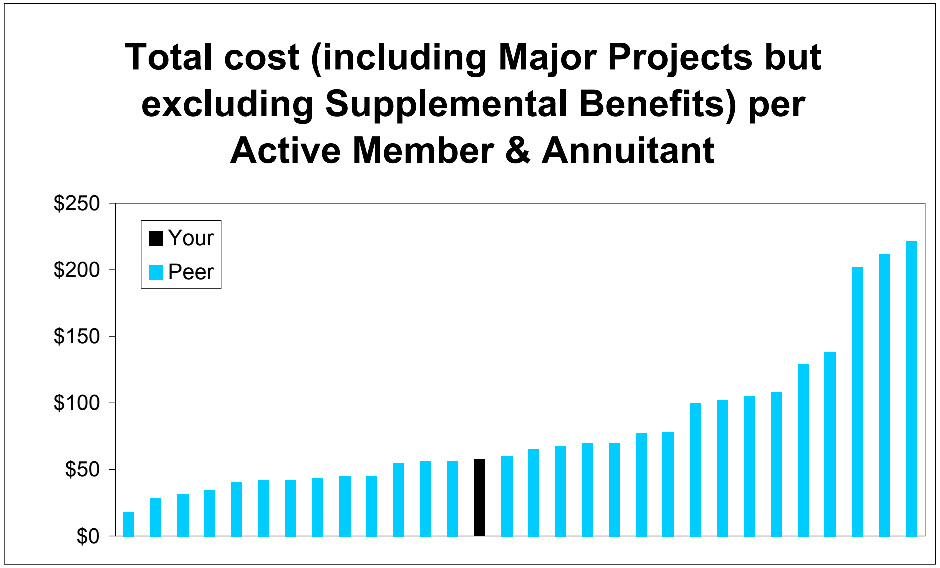
Costs by Core Benefit Administration Activity for Indiana State TRF	
Comparable activities:	**$000s**
1. Paying Pensions	318
2. Pension Inceptions	314
3. Pension Estimates	44
4. Counseling	228
5. Member Telephone Calls	225
6. Communication	146
7. Collections & Data	483
8. Refunds/ Terminating Payments	165
9. Purchases	66
10. Disability Pensions	59
11. Financial Control & Governance	864
12. Plan Policy & Design	271
13. Marketing	0
Activities that are not comparable due to widely varying nature:	
14. Supplemental Benefits	0
15. Major Projects	3,284
Total Activity Costs	6,468

Your total cost of $29 per active member and annuitant is below the peer median cost of $55.

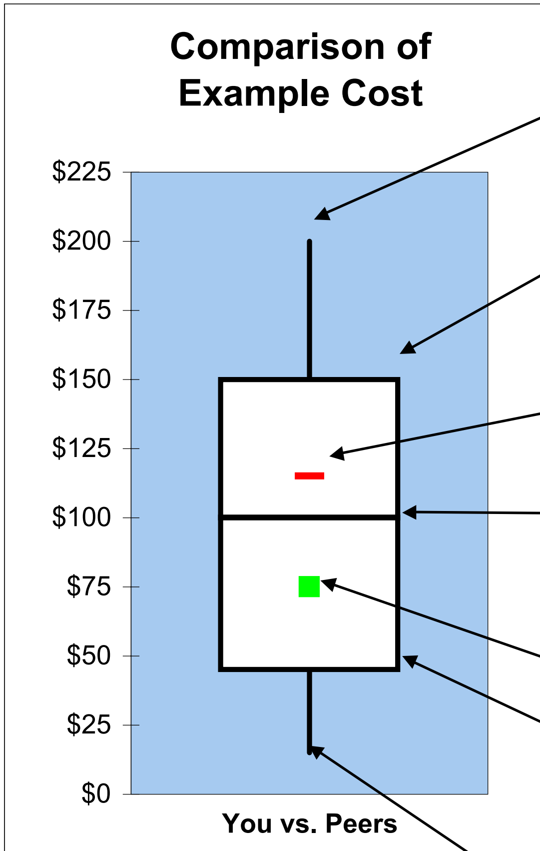
Your cost (excluding Major Projects and Supplemental Benefits) of $29 is less than the peer median cost of $55.



If we add back the cost of Major Projects, your cost of $58 is close to the peer median cost of $62.



Our analysis frequently uses box and whisker graphs to summarize data, beginning on the following page. This is how to interpret the graphs.



Maximum	$200
75th	$150
50th	$100
25th	$45
Minimum	$15
Count	40
Average	$115
Indiana State TRF	
Your Value	$75

Maximum. The top of the whisker represents the system with the maximum cost among the 40 peers. In this example the maximum is $200.

75th percentile/ 3rd quartile/ three-quarter point. The top of the box represents the 75th percentile. In this example the 75th percentile is $150. Thus three-quarters of the peers (or 30 of 40 in this example) have a cost below $150 and one-quarter of the peers have a cost above $150.

Average. The red bar represents the average cost of the 40 peers. In this example the average is $115.

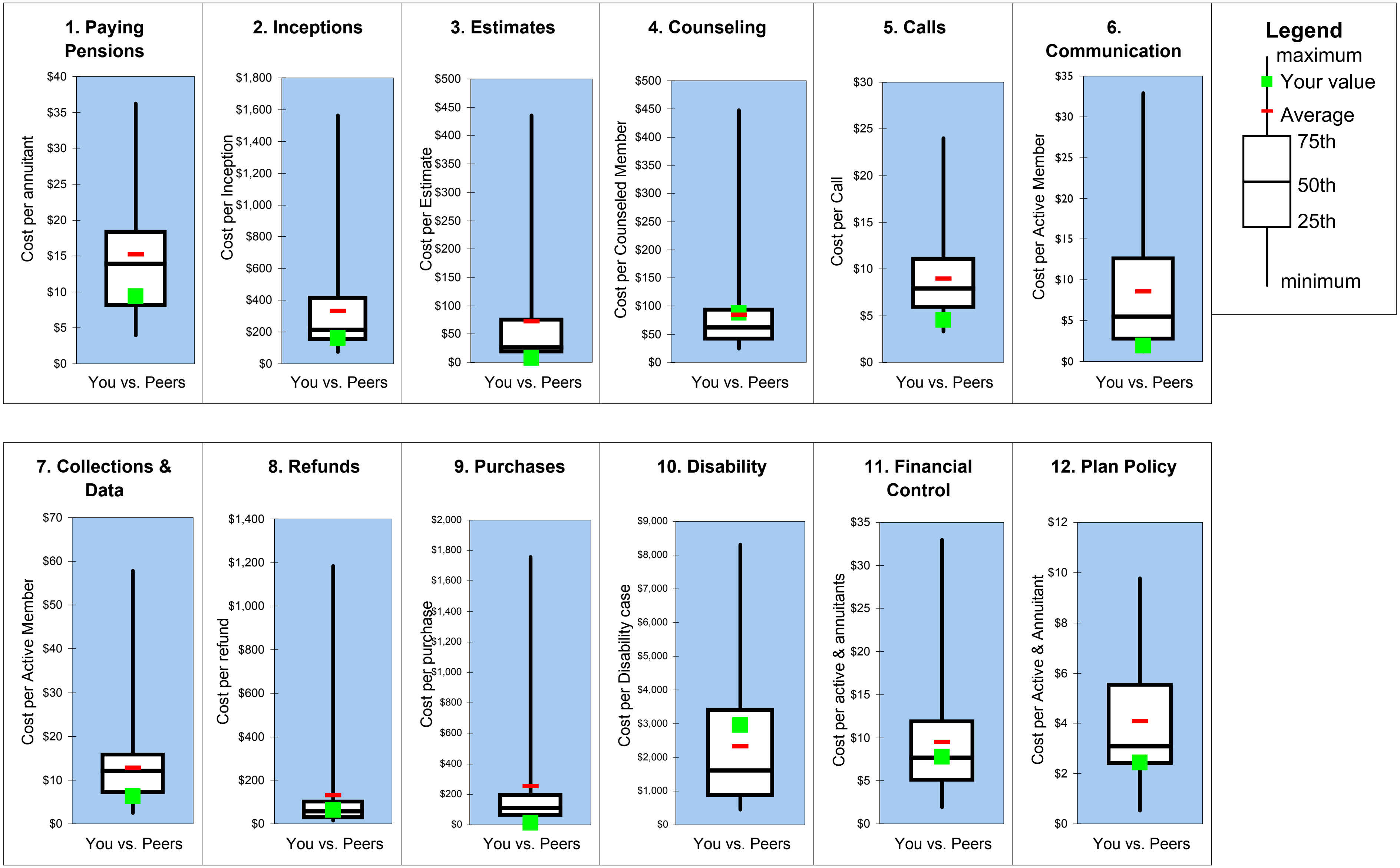
50th percentile/ median/ midpoint. The line through the center of the box represents the middle observation. In this example the midpoint is $100. Thus 1/2 of the peers (or 20 of 40 in this example) have a cost below $100 and the other 1/2 of the peers have a cost above $100.

Your Cost. The green box represents your cost. In this example: $75.

25th percentile/ 1st quartile/ one-quarter point. The bottom of the box represents the 25th percentile. In this example the 25th percentile is $45. Thus one-quarter of the peers (or 10 of 40 in this example) have a cost below $45 and three-quarters of the peers have a cost above $45.

Minimum. The bottom of the whisker represents the system with the minimum cost among the 40 peers. In minimum in this example is $15.

Your Unit Costs by Activity compare as follows:



Your Overall Service Level score is 70 out of 100.

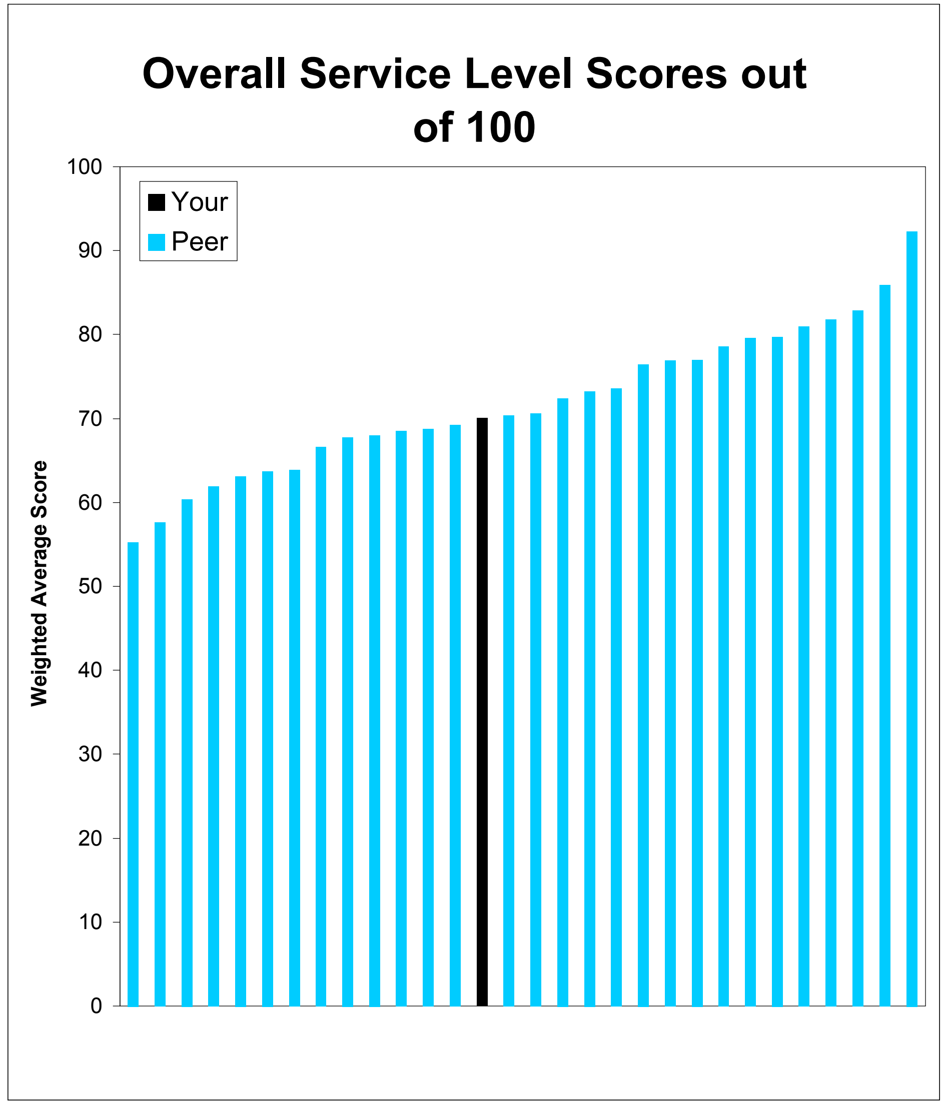
Your service level scores by activity are shown on the next page:

One activity where you performed well was:

• Website. You offer your members several key features on your website including: (i) forms that can be downloaded (33% of your peers do not), (ii) an interactive benefit estimator/calculator (23% of your peers do not), and (iii) your members can access their own data online (87% of your peers do not offer access).

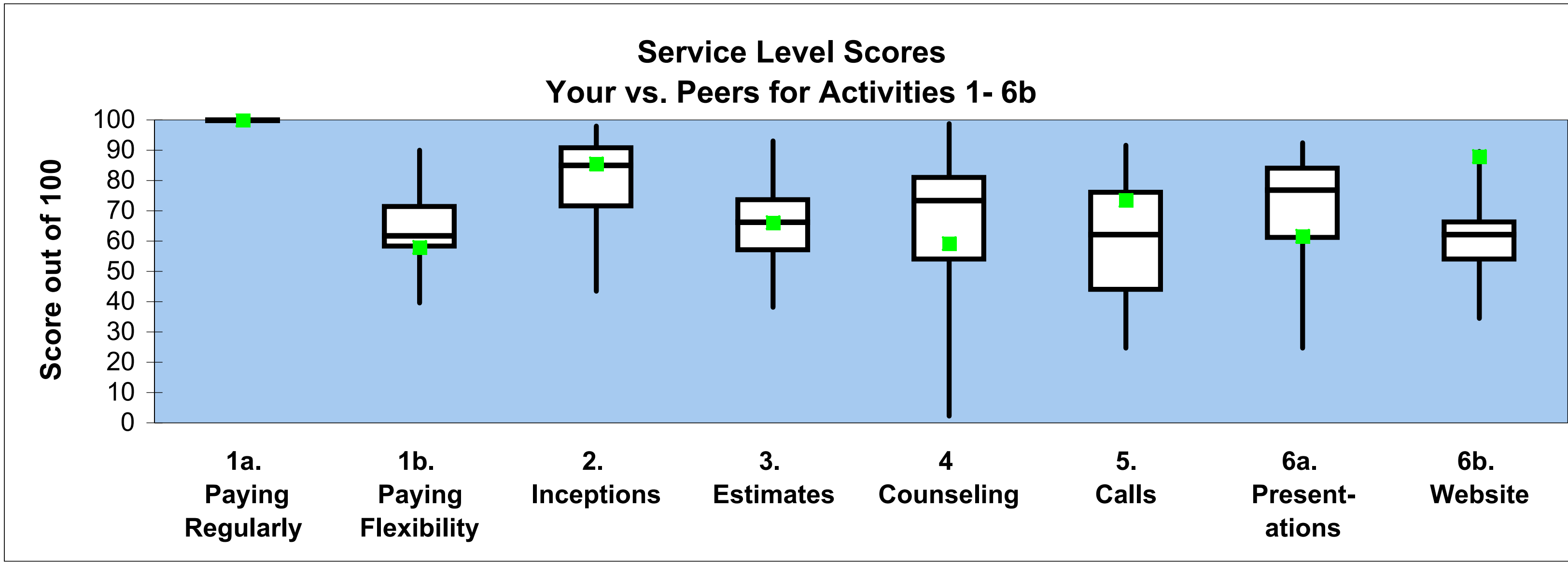
One activity where you performed poorly was:

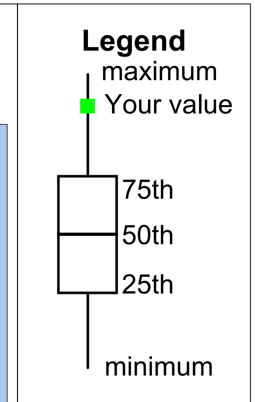
• Service to Employers. You performed poorly because you do not have (i) a dedicated staff for employers (80% of your peers do), (ii) a handbook for employers (93% of your peers do), (iii) an employer website (70% of your peers do), and (iv) attendance at your 4 employer presentations only represented 1.3% of your employers, whereas your peers reach a median of 7.1% of their employers.

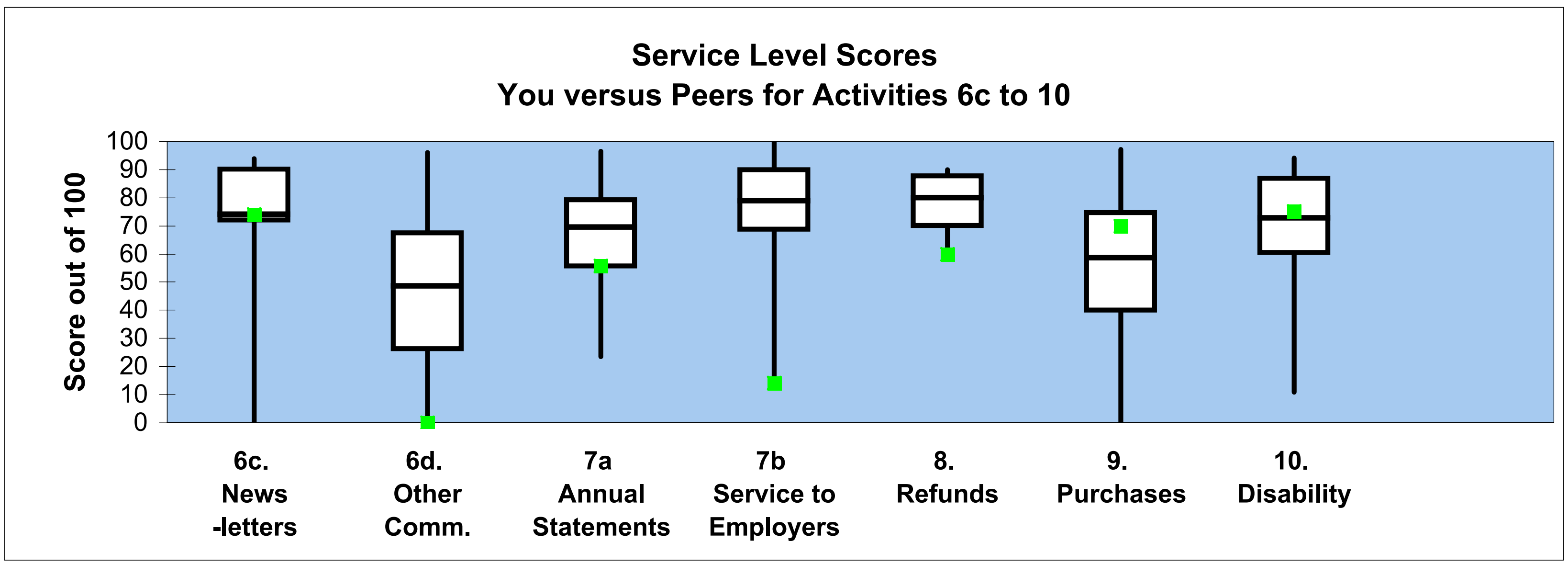


Your overall score is not nearly as important as understanding why you rank where you do. Some of the activities included in the overall measure may not be important to you or your members. Also, remember that it is not always cost effective to have a high score. It is higher service to have a call center open 24 hours a day but it is not cost effective to do so.

Your service levels by activity compare to your peers as follows:







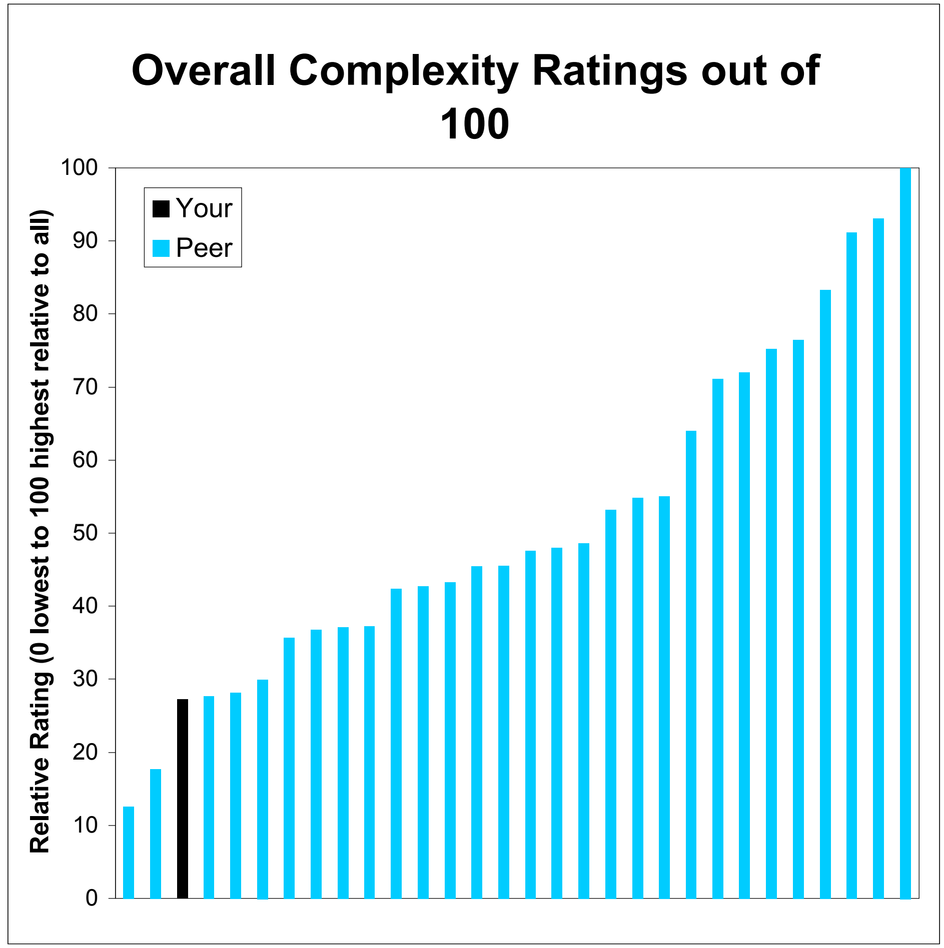
Your Relative Overall Complexity Rating of 27 is below the peer median of 47.

Generally, you are less complex than your peers in most categories (see next page).

One example where you had low complexity was:

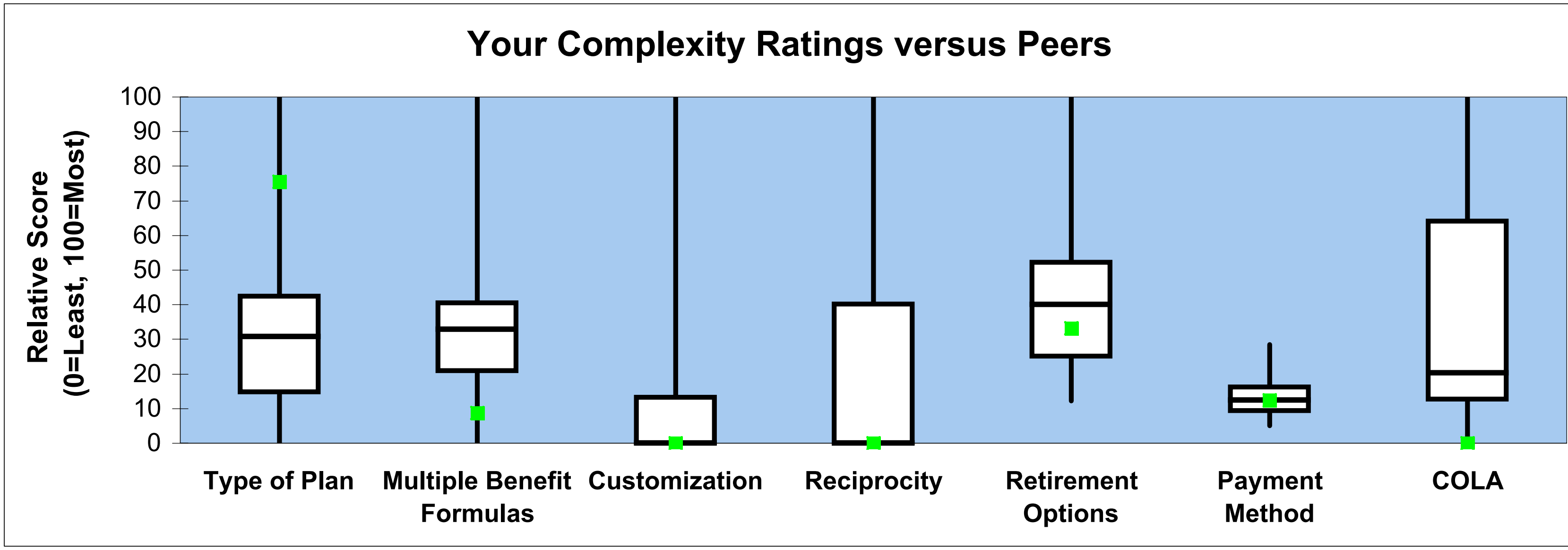
- Multiple Benefit Formula. You only have one member group with a single qualifying rule set for retirement and 1 benefit formula. In comparison, the average peer has 8 different qualifying rule sets, 8 different benefit formulas, and 47% track multiple mortality tables. Furthermore, 60% of your peers also suffer ever expanding complexity because their members are entitled to the best of existing and previous rule sets.

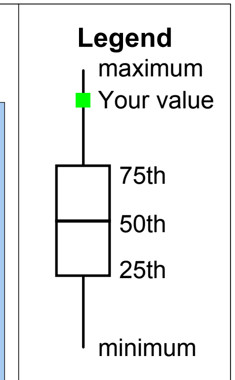
The one area where you had higher complexity was your Type of Plan. Your plan has a DC overlay, whereas 71% of your peers are traditional DB plans.

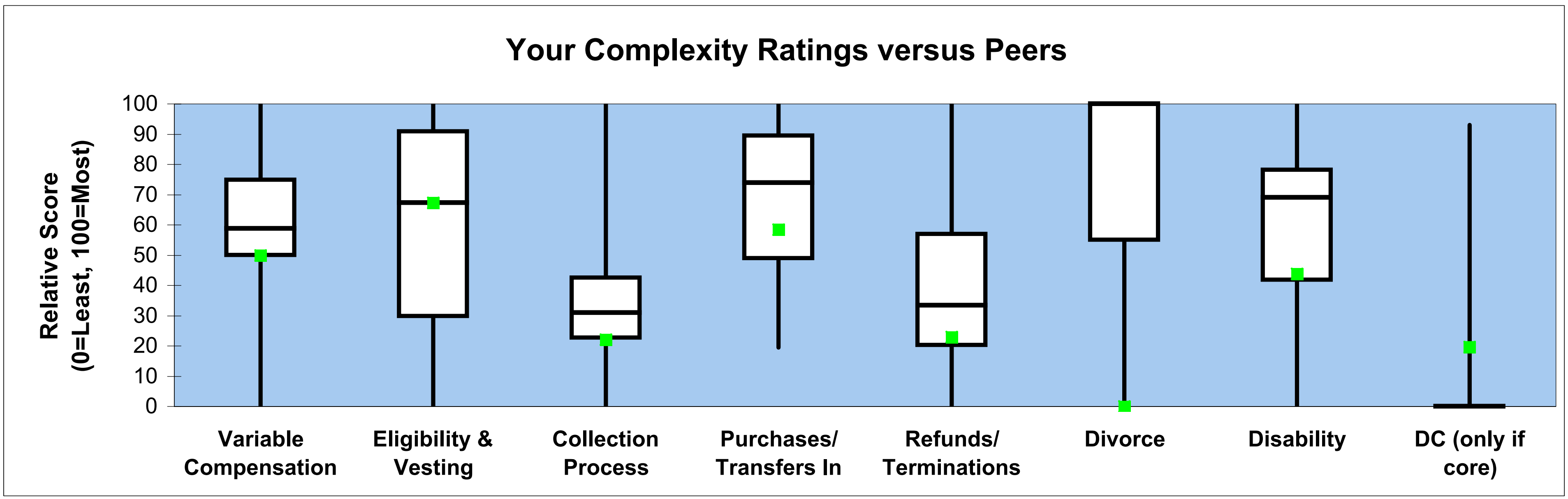


The Complexity Scores are relative scores. A low relative complexity score does not mean that your system is not complex, rather it means that your system is relatively less complex than your peers. All retirement systems are extremely complex, so even the system that has a 0 overall complexity score is still extremely complex.

Your complexity by category is generally below the peer median.



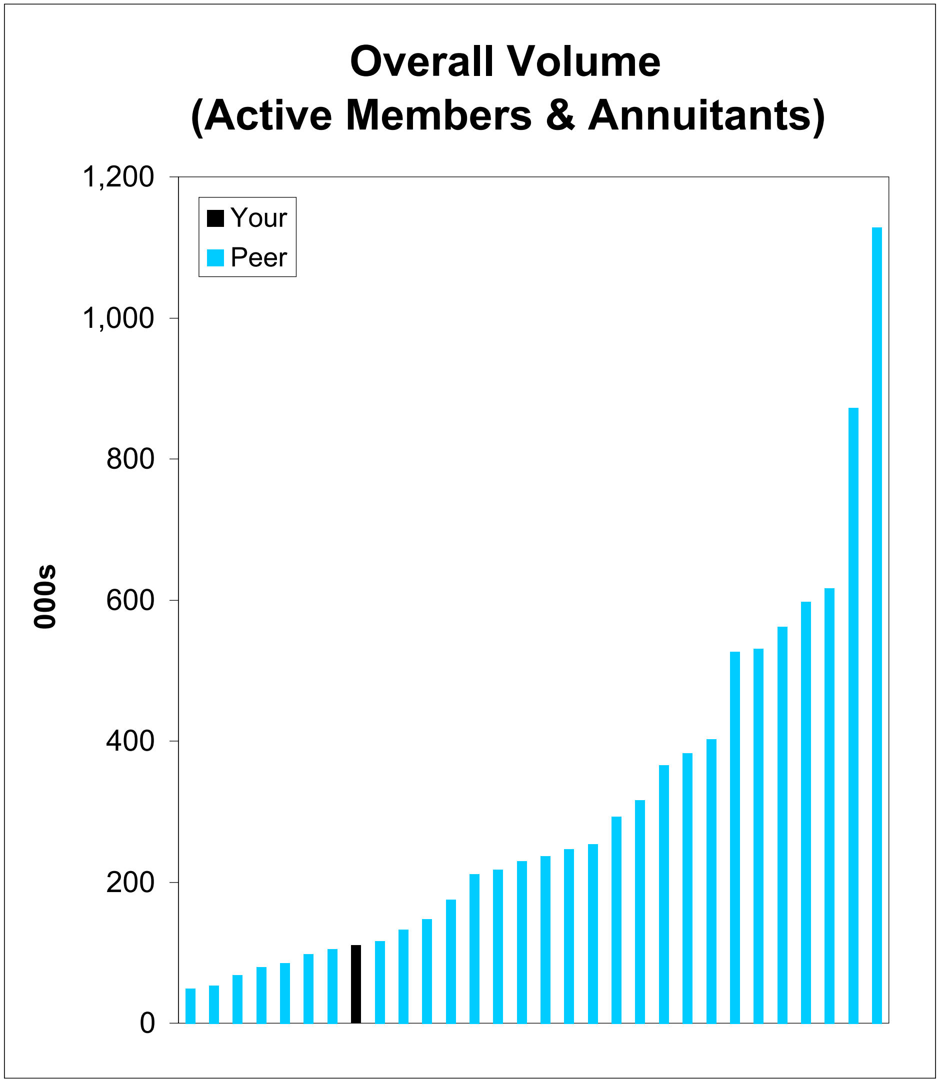




Your total active members and annuitants of 111,000 is below the peer median of 233,336.

Total volume is the sum of your active members and annuitants. We did not include inactive members because for most systems, the costs associated with inactives are small. Also, the work caused by inactive members is captured in our relative workload measure summarized on the next page.

There is a relationship between cost per member and total volumes. The smallest participants suffer a cost disadvantage relative to the largest participants.



Your workloads are 19% lower than average.

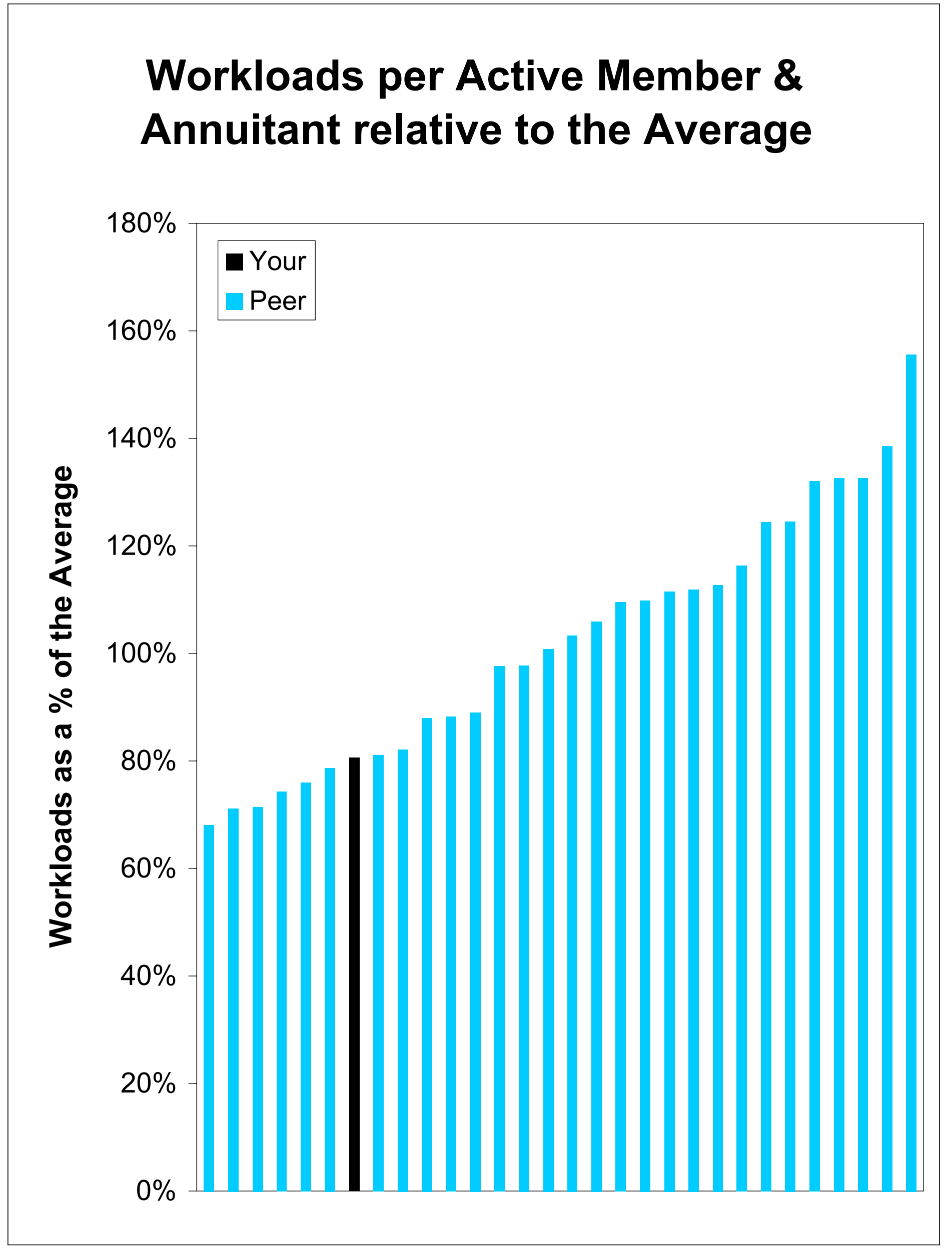
Examples of your lower workloads include:

• Member Calls. Your 49,752 member telephone calls represent 45% of your total active members and annuitants. This is 2/3 of the average of other participants.

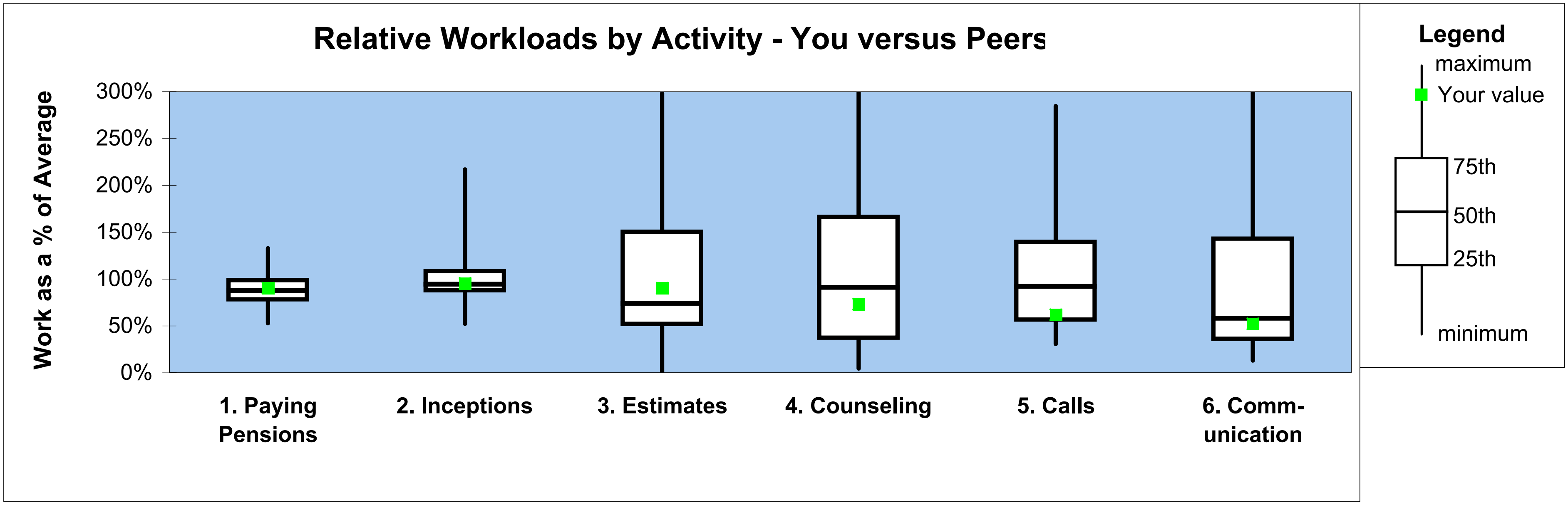
• Collections. Your 320 employers represent 0.3% of your total active members and annuitants. This is 2/3 of the average of other participants. Employers cause work in collections such as training, valuations and reconciliations

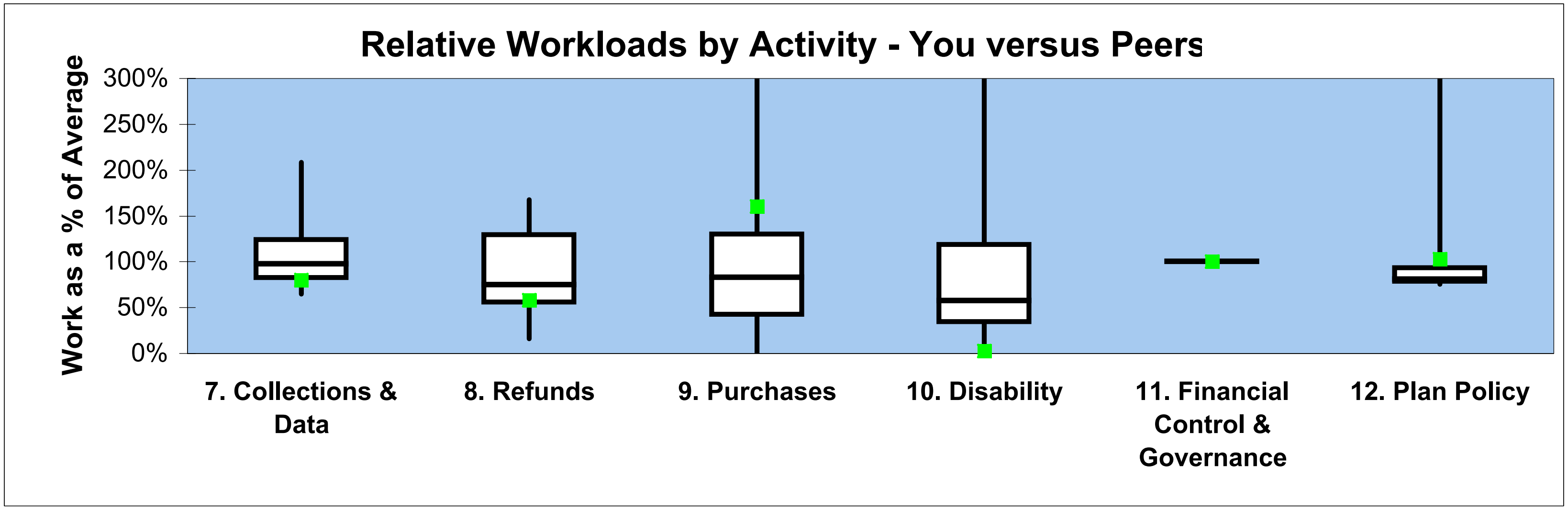
• Refunds. Your 1,692 refunds represent 1.5% of your total active members and annuitants. This is 1/2 the average of other participants.

One activity where you have higher relative workloads is Purchases. Your 4,825 purchases represent 4.3% of your total active members and annuitants. This is 2 times higher than the average of other participants.



Your Workloads by activity compare to your peers as follows:

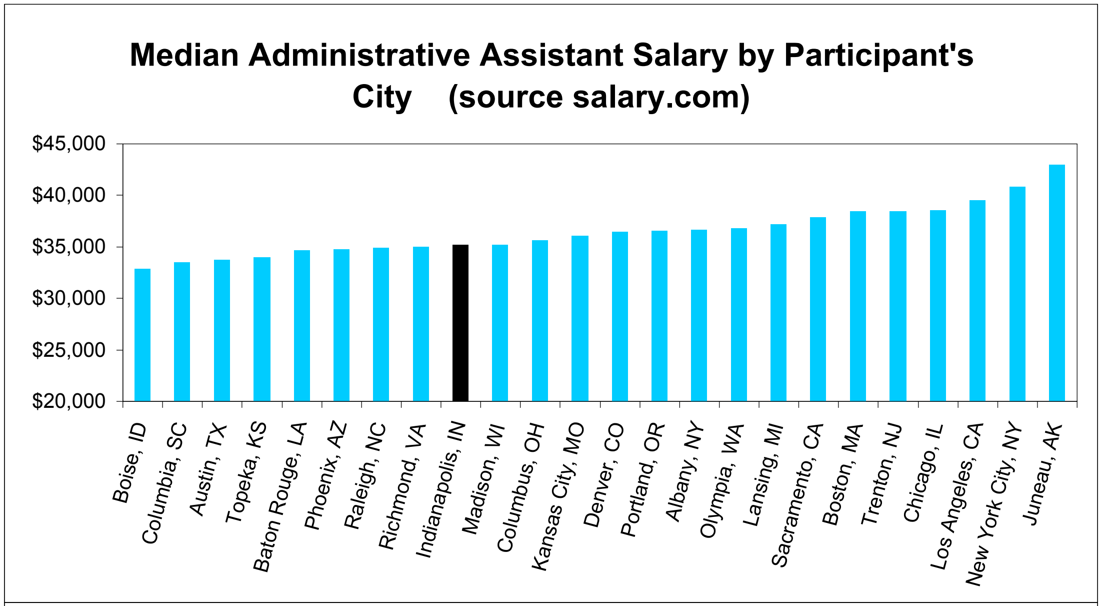


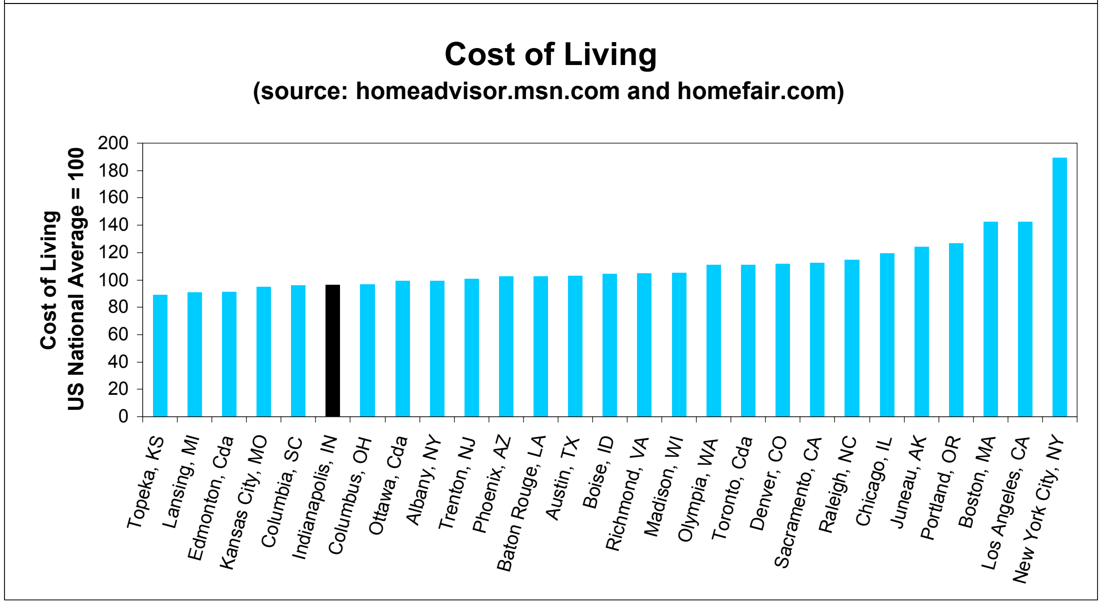


The Cost Environment that you operate in is slightly below the peer median.

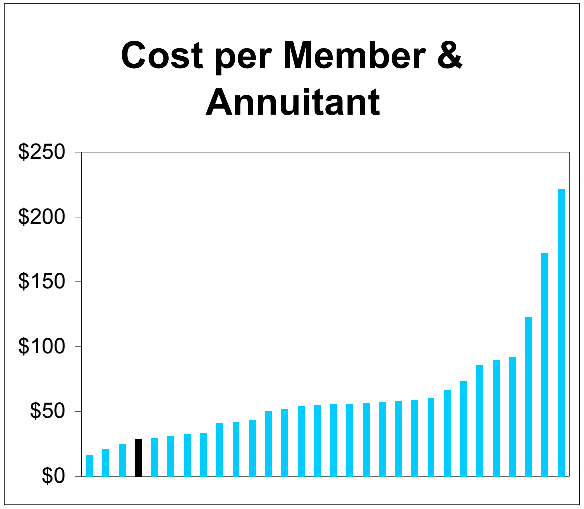
We have used administrative assistant salaries as a simple benchmark to reflect cost environment for all of the participants. We believe that the differences in salaries seen here are magnified when hiring more senior employees.

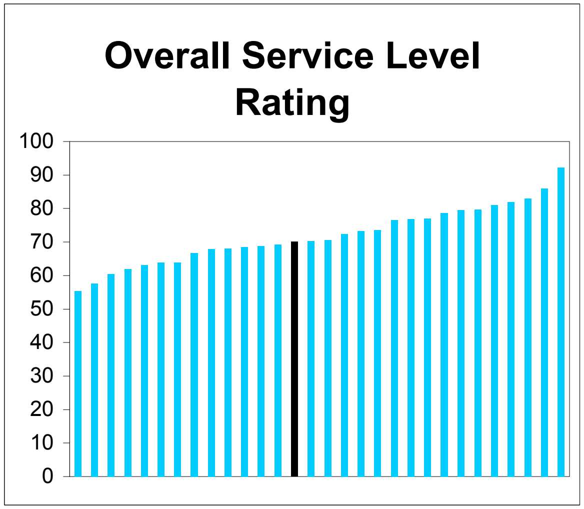
We recognize, however, that our cost environment measure is too simplistic. If we look at Cost of Living Indices, we see a different story for cities such as Raleigh, North Carolina and Toronto, Canada.

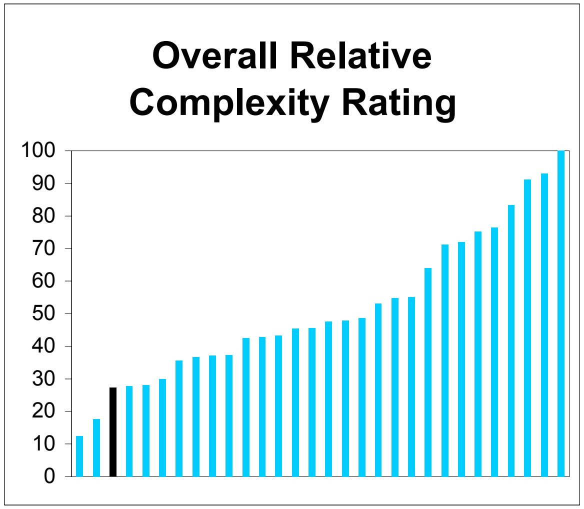


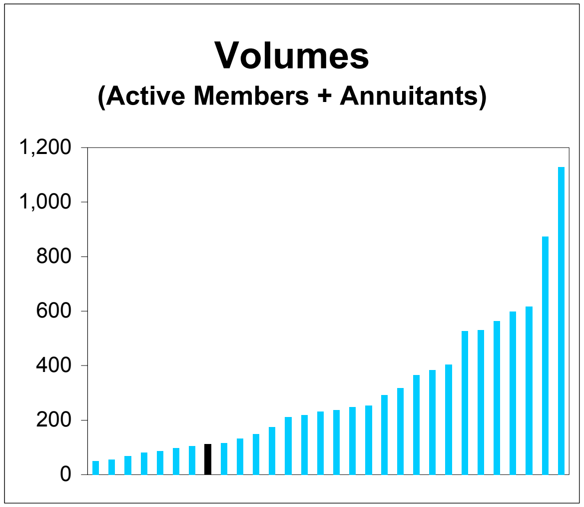


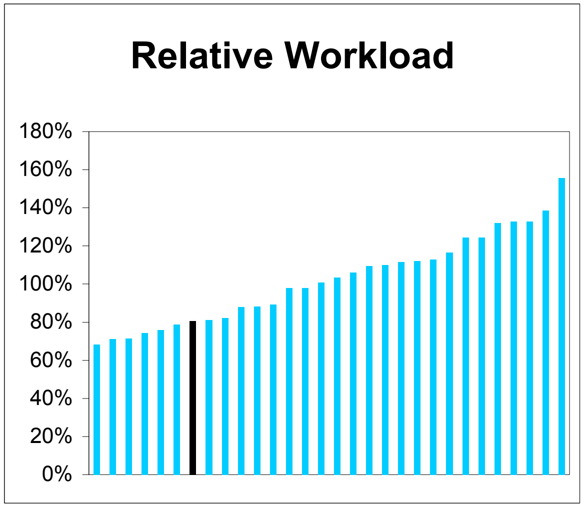
In summary, you achieved median service levels despite your substantially lower costs. Helping you do this was your lower complexity and lower workloads.

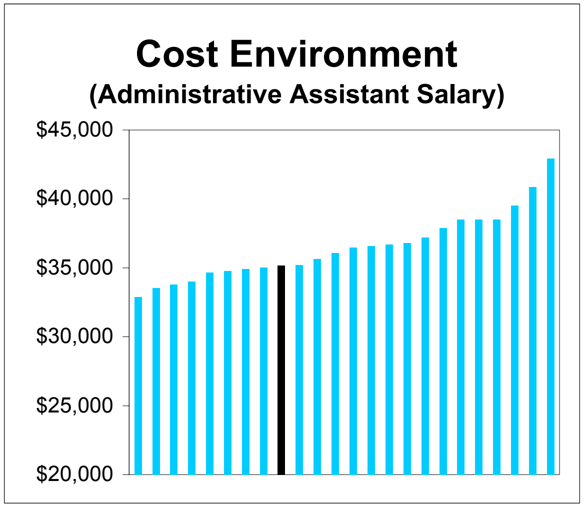












Operations, Accomplishments and Goals

Operations, Accomplishments, and Goals

Fiscal Year 2003
Goals and Accomplishments

- **Continue Benchmarking process**
  Ongoing
- **Audit of Member Health Plan**
  Completed
- **New asset allocation study for employer funds**
  Completed
- **Diversification into public securities, including venture capital and real estate**
  Completed
- **Improve Member Service Center**
  In process
- **Develop member survey for services**
  In process
- **Change Health Plan and Advisor**
  In process
- **Continue improvement of member education processes**
  Ongoing
- **Review work processes and change for efficiency and effectiveness**
  Ongoing

Fiscal Year 2002
Goals and Accomplishments

- **Improve benefit estimate format and clarity**
  Ongoing
- **Enhance call center performance by utilizing the latest technology**
  Ongoing
- **Issue an annual benefit entitlement statement to active members**
  Completed
- **Complete feasibility and implementation study for obtaining record-keeping services for Annuity Savings Investment Account program**
  Ongoing
- **Develop a process for employers to report employee contributions on a "payroll by payroll" basis**
  Ongoing
- **Continue Benefits Management Benchmarking process**
  Completed. See details in "Benchmarking" section.
- **Establish in-service programs for staff**
  Ongoing
- **Begin and complete a Benchmarking of Investment Processes**
  Completed. See "Investment" section.
- **Continue improvement of member education processes**
  Ongoing
- **Work with PERF to jointly improve out-reach programs**
  Ongoing
- **Seek to develop a variable annuity option**
  Ongoing

Fiscal Year 2001
Goals and Accomplishments

- **Pursue and complete an Investment Fiduciary Audit**
  Completed. See details in "Investment" section.

- **Begin and complete a Benefits Management Benchmarking process**
  Completed

- **Improve home page on the World Wide Web**
  Completed. Received commendation. See CEM Benchmarking Service 2002 report in "Benchmarking" section.

- **Allow members to access their quarterly statements via the internet**
  Completed

- **Allow school corporations to transmit their employer payment via the Internet.**
  Completed.

- **Seek to develop retirement outreach programs using laptops and digital connections to meet with prospective retirees in their district**
  Full development will begin when the SIRIS project is completed

- **Develop the process to ensure adequate control and audit trails are incorporated in the computer system. Enhance the monitoring and integrity of employer data utilized in retirement benefits. Develop criteria for and recruit internal auditing support staff.**
  Initiated the examination and evaluation of the adequacy and effectiveness of the Plan's system of internal control. Implemented the internal audit process to examine and evaluate the investment, accounting, financial reporting and member retirement benefit practices established to ensure compliance with policies, plans, procedures, laws and regulations and internal control. Administrative policies and procedures have been documented to ensure management directives are implemented.

- **Enhance investment options of employer assets**
  Completed

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